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Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Joint Inspection Unit entitled "The United Nations system common services at Geneva, part I, Overview of administrative cooperation and coordination" (JIU/REP/98/4).

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JIU/REP/98/4

UNITED NATIONS SYSTEM COMMON SERVICES AT GENEVA

Part I: Overview of Administrative Cooperation and Coordination

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Geneva
1998

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ACRONYMS

ACABQ	Advisory Committee on Administrative and Budgetary Questions
ACC	Administrative Committee on Coordination
CCAQ	Consultative Committee on Administrative Questions
CERN	European Centre for Nuclear Research
ECA	United Nations Economic Commission for Africa
ECE	United Nations Economic Commission for Europe
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
ECOSOC	United Nations Economic and Social Council
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
ESCWA	United Nations Economic and Social Commission for Western Asia
FRMES	Financial Resources Management and Electronic Service
ICC	International Computing Centre
ICRC	International Committee of the Red Cross
ILO	International Labour Organisation
ILRC	International League of the Red Cross and Red Crescent Societies
IOM	International Organization for Migration
IPU	Inter-Parliamentary Union
ISCC	Information Systems Coordination Committee
ITU	International Telecommunication Union
ITC	International Trade Centre
JMS	Joint Medical Service
JPS	Joint Purchase Service
OCHA	Office of the Coordinator for Humanitarian Affairs
OHCHR	Office of the High Commissioner for Human Rights
UNCTAD	United Nations Conference on Trade and Development
UNHCR	Office of the United Nations High Commissioner for Refugees
UNIS	United Nations Information Service at Geneva
UNITAR	United Nations Institute for Training and Research
UNOG	United Nations Office at Geneva
UNRISD	United Nations Research Institute for Social Development
WCC	World Council of Churches
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Geneva is currently the largest United Nations system duty station in the world in terms of staff and expenditures. It also happens to be the most expensive of the eight major United Nations system locations with over 1000 staff. It is therefore the duty station where it would be most desirable for the Member States to encourage and support efficiency reforms and enhanced inter-secretariat collaboration in the quest for more cost-effective methods and vehicles for delivering programmes.

However, notwithstanding their close physical proximity to each other and several institutional commonalities embedded in the United Nations common system framework, the Geneva-based secretariats operate very few services in common. No services are shared by the five specialized agencies located in the city and parallel support services exist among United Nations entities governed by the same Charter.

The overall picture is one of considerable fragmentation and duplication of overhead structures and costs. This state of affairs appears aggravated by the absence of an intergovernmental consultative or review body to provide strategic direction to all Geneva-based secretariats and entities on administrative and budgetary questions. Additionally, the lack of effective and cohesive institutional leadership of UNOG common services has weakened UNOG's central role at Geneva and deprived it of visibility and identity, leading to its current performance problems.

In the light of the above the Inspectors recommend the following:

Recommendation 1: New framework for United Nations system common services at Geneva

In order to give full effect at the Geneva duty station to common service provisions in the Relationship Agreements between the United Nations and the specialized agencies, the General Assembly and the competent organs of the specialized agencies located at Geneva may wish to endorse the new framework proposed in this report for Geneva common services, and require the secretariats concerned to report biennially on its implementation in the context of their draft programme budget submissions (paragraphs 80 - 95).

Recommendation 2: Revitalization of UNOG common services

In pursuance of recommendation 1 above, the Secretary-General should consider refining and implementing as appropriate the revitalization measures recommended in this report for UNOG common services, including the establishment of a UNOG common services committee chaired by the Director-General of UNOG as well as the possible appointment, at an appropriate time, of a high-level official to foster broad common services objectives and arrangements at the Geneva duty station (paragraphs 45 - 78).

Recommendation 3: Intergovernmental oversight of common services at Geneva

The General Assembly may wish to consider the most effective arrangements for strengthening regular and coherent oversight of Geneva common services, including a more active role by the Geneva Diplomatic Committee as well as more periodic meetings of ACABQ at Geneva focused specifically on issues of administrative and budgetary coordination amongst the Geneva-based secretariats and entities (paragraphs 24 - 26; 47 - 48).

I. INTRODUCTION

1. The JIU review of common services operated by United Nations system organizations located at Geneva follows upon two previous reports by the Unit on the same subject, namely "United Nations system common premises and services in the field" (JIU/REP/94/8), and "Common services at United Nations Headquarters" (JIU/REP/96/5). In this report series, the Inspectors pursue the same objective in each case: to provide a coherent framework for increased administrative management synergies among co-located organizations so as to enable them to rationalise their overhead structures and costs and to concentrate diminishing resources on their constitutional mandates which form their raison d'être.

2. The report series also shares the same legislative framework embodied in the Relationship Agreements between the United Nations and the specialized agencies. The standard article in these Agreements relating to "administrative and technical services" stipulates *inter alia* that the United Nations and the specialized agencies "recognize the desirability, in the interest of administrative and technical uniformity and the most efficient use of personnel and resources, of avoiding, whenever possible, the establishment and operation of competitive or overlapping facilities and services". In the same Article, the United Nations and each specialized agency further "agree to consult together concerning the establishment and use of common administrative and technical services and facilities, insofar as the establishment and use of such services may, from time to time, be found practicable and appropriate".

3. Some fifty years after they were adopted by the Member States, the above provisions of the Relationship Agreements are still to be given operational expression by the Geneva-based secretariats. The few services shared by all the secretariats, such as the International Computing Centre (ICC), the Joint Medical Service (JMS), Pouch or Training, form the exception rather than the rule. Neither framework nor stimulus has existed until now for administrative and budgetary coordination at the Geneva duty station, not even among United Nations departments and affiliated bodies governed by the same Charter and supreme legislative body, and falling under the authority of the Secretary-General.

4. Long deprived of leadership and constituency within the United Nations, ACC or the governing bodies of the system for that matter, common services are, at long last, being recognized increasingly as a primary instrument for building a coherent, cost-effective and streamlined United Nations system. In this connection, the Secretary-General of the United Nations should be applauded for having identified, as one of his reform priorities, the consolidation of common services and facilities within the Organization at all levels and duty stations. As stated in his report entitled "Renewing the United Nations: A Programme for Reform", the future success of the United Nations "hinges on its ability to achieve a unity of purpose among its diverse departments, funds and programmes, enabling it to act coherently and deploy its resources strategically. In addition, alliances and partnerships with the specialized agencies and other organizations must become part of normal organizational routine" (A/51/950 of 14 July 1997, paragraph 18). In the same report, the Secretary-General also proposes to reduce significantly the administrative costs of the Organization (paragraph 57). In pursuit of this objective, the Secretary-General has appointed at Headquarters an Executive Coordinator for common services who has prepared a "Common Services Strategy Paper" reproduced in Annex 3 to this report.

5. Thus, the Secretary-General's vision and measures to achieve a more integrated and lean Organization, and the high profile he has given to the strengthening of common services as a means to that end, provide the clearest signal to date that common services will finally acquire an identity of their own and become an important component of the current United Nations reform process. That will be a major precondition for achieving efficient common services within the United Nations system at Geneva.

6. The expanding application by the Geneva-based secretariats of technological innovations to administrative and managerial processes presents very significant opportunities for the development of common administrative management tools and approaches that could mobilize synergies in the use of this important cost item, reduce the present excessive fragmentation of technological innovation efforts at Geneva and result in substantial economies. The findings of this report suggest that the integration of management information systems and technologies could become the backbone of a new framework of Geneva common services.

7. While the executive heads have a primary leadership role to play in achieving cost-effective and user-friendly common services, the success of their endeavours is likely to remain as elusive as in the past fifty years without the strong and uniform support of the governing bodies of the organizations concerned. The considerable duplication of support services and management information systems at Geneva seems to reflect, to a large extent, the polycentric governance structure of the organizations.

8. Not only do the specialized agencies have their respective governing bodies as required by their constitutions, but so also do most United Nations entities. Unlike New York, for example, Geneva lacks a single governance, consultative or review mechanism covering all the organizations and entities located there, providing strategic direction to all of them on administrative and budgetary questions and fostering coordinated and standard approaches to the quest for enhanced efficiencies and economies. As such, hardly any opportunities exist at Geneva for a comparative scrutiny of the organizations' administrative management budgets and restructuring processes. The Geneva duty station is therefore still to benefit more fully from the exercise by the General Assembly and ACABQ of their oversight responsibilities for administrative and budgetary coordination within the common system.

9. The above issues are reviewed in some detail in the following chapters with the help of graphic illustrations. Chapter II describes the setting for common services, reviews expenditure and staffing patterns and highlights some possible constraints as well as commonalities among the secretariats. Chapter III analyses the pattern of administrative cooperation and coordination and reviews the centrality of UNOG common services in the development of new administrative cooperation arrangements. Chapter IV proposes a new framework for cooperative approaches in the management and delivery of support services.

10. Part II of this report comprises a more detailed analysis of selected common services that offer some lessons and benchmarks for emulation in the design and management of cost-effective and competitive support services shared by some or all the Geneva-based secretariats.

11. The data and other base-line information used for the report were obtained not without some difficulty and considerable delays on the part of the secretariats concerned. In some cases, the information supplied was either incomplete or not easily amenable to inter-organization comparisons. Programme budget documents and other sources have been used as far as possible to corroborate or complete some of the data received in order to ensure that the analysis of expenditure and staffing patterns and ratios is as valid as possible. The Inspectors thank all those who extended their full cooperation in the conduct of this review. Except where otherwise stated, all the data used in the report were collected from the Geneva-based organizations through a JIU questionnaire.

II. THE SETTING

A. Duty station

12. Geneva has been the seat of international institutions and multilateral diplomacy for well over a hundred years. For example, ITU which is located in the city was established in the last century. Geneva also hosted the Headquarters of the League of Nations from 1919 to 1939, and the ILO Headquarters was also established there in 1919. Since 1945 the city has been a major centre of United Nations operations, and for many years it has remained the premier United Nations system duty station in terms of staff and expenditure levels (Figure 1, page 4). Geneva-based organizations and entities employed in the 1994-1995 biennium over 18,000 staff world-wide, of which more than 8,000 at their Geneva headquarters, and expended over US$ 6 billion.

13. The centrality of the city for the United Nations system is further reflected in the fact that five specialized agencies (ILO, ITU, WHO, WIPO and WMO) as well as several United Nations entities (e.g. UNHCR, UNCTAD, ECE, OHCHR, etc.) are headquartered there. The Palais des Nations at Geneva hosts about 300 international conferences and 7,000 meetings annually, almost double the number held at New York Headquarters. About 140 Permanent Missions and nearly as many intergovernmental and non-governmental organizations are located in the city, most of them with world-wide focus. Examples include WTO, CERN, IOM, ICRC, ILRC, IPU, WCC, etc, which raise the strength of the Geneva international community to over 20,000.

14. The largest United Nations system location, Geneva also happens to rank as the most expensive of the eight major duty stations of the system with over 1000 staff (Figure 2, page 4). Because staff posts represent by far the most important object of expenditure for all the organizations of the system, the implication is that Geneva is where the Member States should more actively encourage efficiency reforms and cost-savings and where enhanced inter-secretariat cooperation would be most desirable to achieve more cost-effective operations and economies of scale. The case for such cooperation is reinforced by the organizations' expenditure and staffing trends examined below.

B. Expenditure and staffing trends

15. Annexes 1 and 2 present expenditure and staffing data for Geneva-based secretariats and entities for the biennia 1984-1985 and 1994-1995. Aggregate expenditures increased in nominal terms during the ten-year period from US$2.6 to US$ 6 billion (130 per cent) while total staff rose from 14,624 to 17,845 (22 per cent). However, as shown in annex 2, UNHCR and WHO between them accounted for 67 per cent and 53 per cent of the total expenditures and staff respectively in the 1994-1995 biennium.

16. For the United Nations entities (excluding the five specialized agencies), expenditures rose from US$1.3 billion to US$ 3.5 billion (160.9 per cent) and staff from 4.954 to 8,714 (75.9 per cent) during the decade under review. Excluding UNHCR data, however, expenditures for United Nations entities increased nominally by 137.8 per cent and the staff by 12.6 per cent. It may be observed that UNOG, which is the central common service provider for most United Nations entities at Geneva, experienced an overall staff reduction of 14 per cent (Figure 3c, page 5).

17. While in the 1984-1985 biennium United Nations entities accounted for 49 per cent and 34 per cent of the total expenditure and staff respectively, their share increased in 1994-1995 to 57 per cent of expenditures and 49 per cent of the staff. For the specialized agencies expenditures increased nominally by just over 100 per cent while staff declined overall by 5.6 per cent. Only WIPO registered a sharp increase of 84.4 per cent in its staffing level.

18. Aggregate expenditures by the Geneva-based secretariats and entities for support (administrative management) services, the area par excellence for common service endeavours, more than doubled in absolute terms from $429 million in 1984-1985 to $874 million in 1994-1995, while staff providing these services increased by 4.3 per cent from 4,456 to 4,656 during the same period. These data, however, relate only to administrative management services operated at Geneva, exclusive of support services provided by some of the organizations (especially UNHCR, WHO and ILO) at their field duty stations, as well as expenditures for outsourcing to the private sector.

Figure 1: Ranking of major UN system duty stations by number of staff - (1985 and 1995)

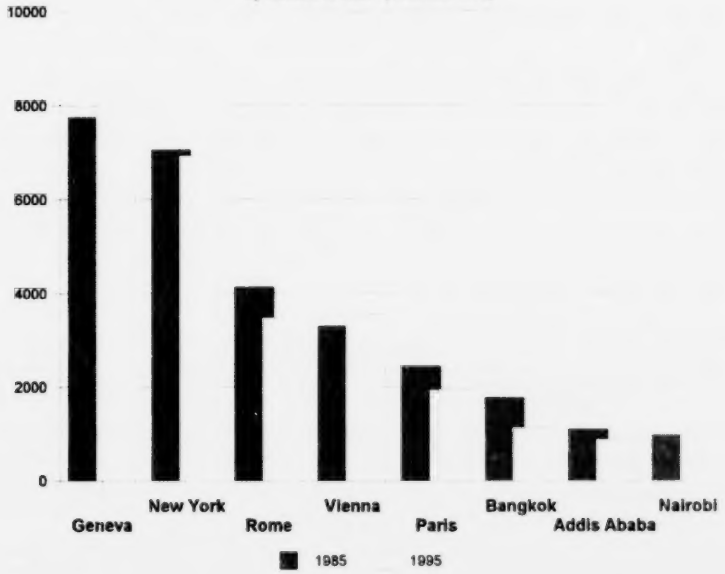


Figure 2: Administrative cost of staff at major UN system duty stations P-4 and G-4 levels with dependent spouse and 2 children, March 1998

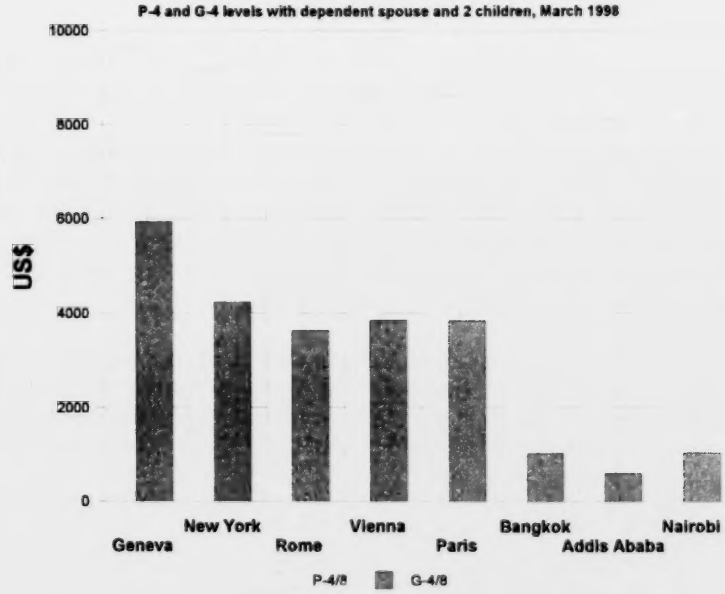
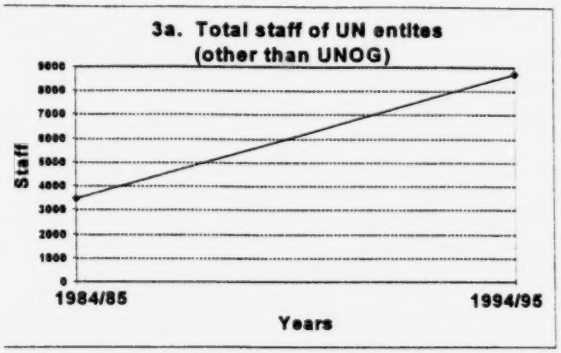
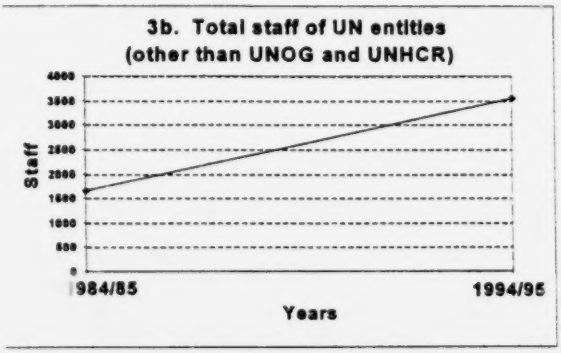
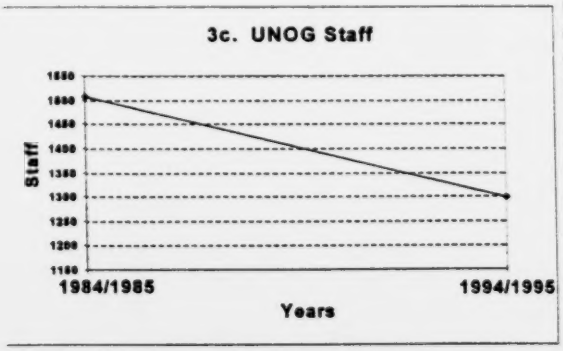


Figure 3. STAFFING TRENDS OF UNITED NATIONS ENTITIES AT GENEVA, 1984/85-1994/95







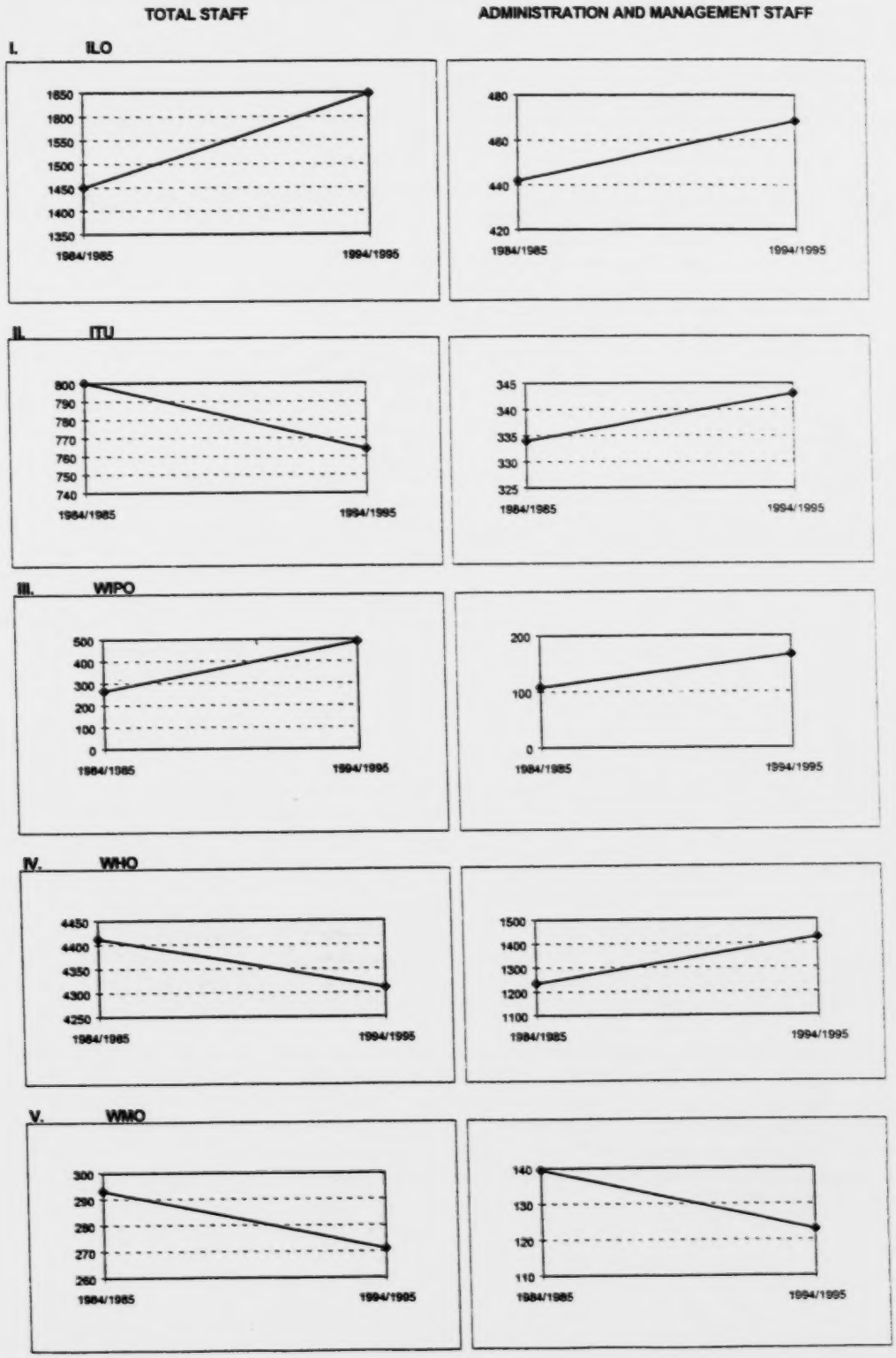
19. On aggregate, the ratio of support services expenditure and staff to total expenditures and staff of the organizations shows a declining trend during the period considered: from 16.5 per cent to 14.4 per cent for expenditures and 30.5 per cent to 26.1 per cent for staffing tables. However, much of that decline appears to be accounted for mainly by the resource shortfalls registered by support services for United Nations entities whose expenditure ratio dropped from 15.8 per cent to 11.5 per cent and staffing ratio from 35.5 per cent to 19.1 per cent. UNOG's share of the expenditures of United Nations entities to which it provides services dropped from 13 per cent to 8.9 per cent and staff from 30 per cent to 14.9 per cent.

20. The picture for the specialized agencies, illustrated by Figure 4 (page 6), shows that support services staff in ILO and WIPO increased somewhat moderately in proportion to their overall staff increases, and dropped in WMO in close parallel to its overall staffing trends during the ten-year period under review. For ITU and WHO, support services resources increased in inverse proportion to their overall declining staff strengths. Moreover, the proportion of administration and management resources to total resources appears much higher (by over 10 percentage points) in the specialized agencies taken together than for the United Nations entities during the 1994-1995 biennium (Figure 5 page 7).

21. The explanation for this apparent discrepancy between the United Nations entities and the specialized agencies may lie in the considerable cost-reduction pressures experienced by the United Nations Secretariat as a whole in the past decade as much as in the central provision of services by UNOG, however imperfectly, to the quasi-totality of United Nations entities located at Geneva, notwithstanding the operation by some of these entities (e.g. UNHCR, UNCTAD or ITC) of duplicative support services. The existence of UNOG as a central common service facility for United Nations entities has probably served to restrain, to some extent, the growth in support services expenditures for those entities in the past decade.

22. That conclusion seems confirmed by Figure 6, page 7 which shows that because ECE is serviced mainly by UNOG, its support costs (including some of its UNOG-apportioned costs) are significantly lower than they would have been in comparison with other United Nations Economic Commissions which operate their own services. The comparison can be extended as well to other Geneva-based secretariats with self-contained support services (Figure 7, page 7). However, there are a number of constraints likely to affect the development of common administrative management services at Geneva, as discussed in the following section.

Figure 4. STAFFING TRENDS OF SPECIALIZED AGENCIES AT GENEVA, 1984/85–1994/95



C. Possible constraints

1. Governance and accountability

Figure 5: Percentage of programme support staff to total staff: UN entities and specialized agencies at Geneva

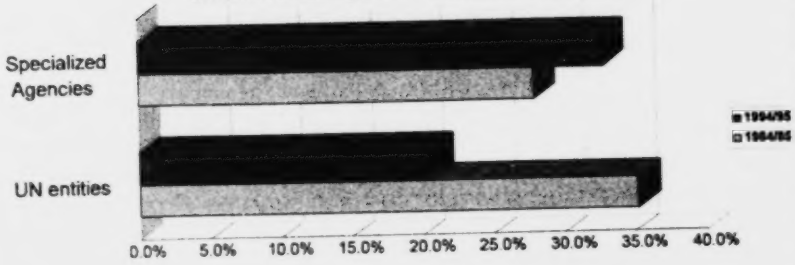


Figure 6: Percentage of programme support to total programme budgets of the Regional Commissions in 1996/1997

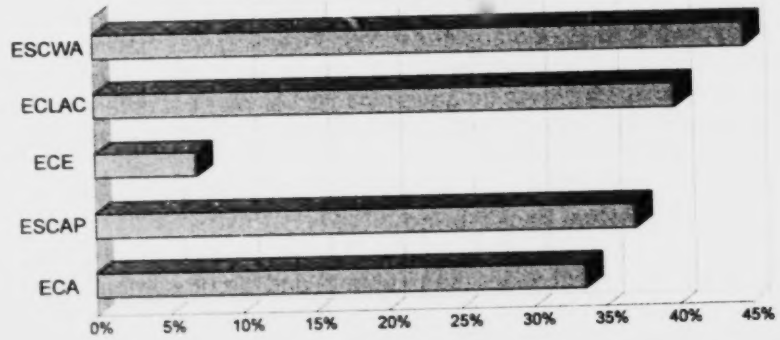
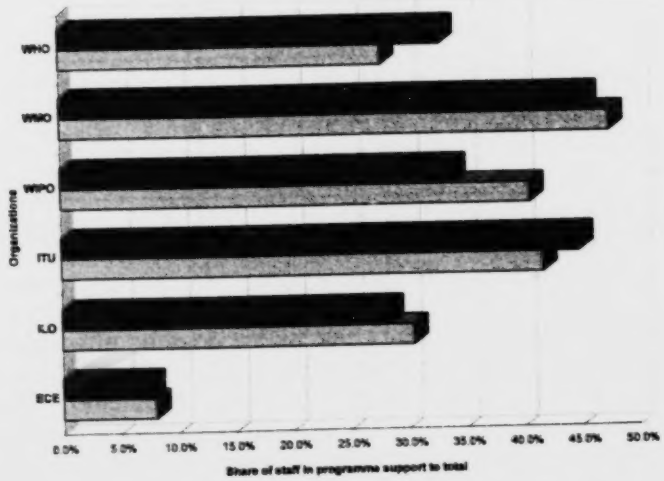


Figure 7: Percentage of programme support staff to total staff of the specialized agencies at Geneva and ECE



23. The fragmentation of support services generally mirrors the plurality of independent governing bodies at Geneva and the Secretariats' autonomous lines of accountability to their respective competent organs. This is so for the specialized agencies which are constitutionally autonomous, but also for the United Nations entities such as UNHCR, UNCTAD, ITC, ECE, OHCHR, UNITAR and UNRISD. Unlike these entities, UNOG does not have its own governing body other than the General Assembly, which meets in New York. Some of the supervisory bodies have budget review and approval authority (ITC, UNHCR, UNITAR and UNRISD) while the others do not. Ultimately, all the subsidiary bodies report to the General Assembly through ECOSOC. Further, the Secretary-General, as the executive head of all the entities, has the authority to further develop and perfect common services for all Geneva-based entities. But that authority is shared with the governing bodies responsible for reviewing and approving the budgets of those entities and for ensuring administrative and budgetary coherence among them. This is hardly done at present.

24. The picture differs for the specialized agencies. They have distinct legislative organs and executive management structures which are legally not accountable to the United Nations General Assembly, except with respect to common system issues stipulated in the United Nations Charter and the Relationship Agreements. Under Articles 57-58 and 63 of the Charter, ECOSOC, which meets periodically at Geneva, is vested with system-wide coordination powers. However, it is not quite clear whether ECOSOC's remit does also cover administrative and budgetary coordination of the common system. That responsibility would seem to devolve to the General Assembly assisted by ACABQ at intergovernmental level and to ACC/CCAQ at intersecretariat level.

25. Common administrative services are one element of the common system, just like common personnel standards and salary scales constitute one other element. But while the International Civil Service Commission exists to ensure that common personnel standards are consistently applied within the system, there is no similar intergovernmental mechanism for common services. Probably as a result of this benign neglect, common services have not only suffered an identity crisis over the years but their very concept has tended to be discredited within the system.

26. Although ACABQ and the Geneva Diplomatic Committee periodically review administrative and budgetary issues of Geneva-based organizations, the findings of this report suggest the need for more comprehensive and systematic intergovernmental oversight that provides strategic direction to the secretariats at Geneva on administrative and budgetary questions, including internal restructuring processes, and fosters coordinated and standard approaches in the search for greater efficiencies and economies. The situation is complicated by the fact that the governing bodies meet at different times of the calendar year and hardly any consultative contacts appear to exist amongst them for purposes of policy coordination in their governance of the Secretariats.

2. Historical background

27. The organizations were established in different years (see Table 1) and circumstances. Each has developed an historical identity and management autonomy and culture. Self-contained administrative management structures and mores in existence for over fifty years will surely resist the deep reforms

Table 1. Establishment of some Geneva-based organizations

Organization	Year	Organization	Year
ITU	1865	WMO	1950
ILO	1919	UNHCR	1951
UNOG	1939 / 1945	UNCTAD	1964
ECE	1947	WIPO*	1970
WHO	1948	UNAIDS	1996

* Some of the "Unions" administered by WIPO date back to the last Century: the Paris Union (1883) and the Berne Union (1886).

that might be necessitated by the building of inter-secretariat common services as envisaged in this report, especially if there are implications for job security and authority status. Administration and management departments have grown over the years to such a high level of staffing, grades and authority that they now tend to overshadow constitutional programmes which justified the creation of the agencies in the first place. This trend may explain why some of these departments are gaining in staff strength to the detriment of substantive departments (Figure 4, page 6). The central question, therefore, is where the secretariats should concentrate their diminishing resources: on excessive self-administration or on the pursuit of their constitutional mandates?

28. The five specialized agencies in particular have not managed to develop all these years any real tradition of cooperation among them, beyond ad hoc informal consultations among service managers. Despite their very close proximity to one another, they have nothing similar to UNOG, the central service provider for United Nations entities. Further, the smaller agencies (ITU, WIPO and WMO) are wary of any cooperative arrangements which could erode their identity or in which their needs and priorities would be swayed by those of the larger agencies.

3. Mandates and scales of operation

29. The mandates of the organizations and entities are nearly as different as their scales of operation. Among United Nations entities, UNHCR, OHCHR and OCHA have a number of common attributes in the area of humanitarian affairs and human rights protection. But UNHCR is more field-oriented and decentralized than any other Geneva-based entity. It currently accounts for 60 per cent of the total staff of United Nations entities at Geneva, down from 68 per cent in 1985. UNHCR's very large scale of operation, its extensive decentralization to the field and the emergency character of its work, have been presented as justification for its progressive delinking from the UNOG common service pool.

30. ECE, UNCTAD and ITC also have some substantive similarities. ECE is serviced essentially by UNOG, but UNCTAD and ITC operate some in-house support services. Although UNCTAD is one of the two parent bodies and also the administering authority for ITC, the two nonetheless maintain separate administrative services, including the separate administration of their technical cooperation programmes, even though UNCTAD provides services in this area to other Geneva-based entities, such as ECE, OHCHR and UNRISD. This latter entity has however expressed to the Inspectors its preference to be serviced entirely by UNOG in order especially to avoid being billed separately by UNOG and UNCTAD as at present.

31. The mandates and governance structure of the specialized agencies also differ markedly. The secretariats of ITU, WIPO and WMO have relatively similar types of operation and are highly centralized. ITU and WIPO in particular share a number of important attributes. Their secretariats function in fact as common services to their sectoral legislative or regulatory bodies. They are also strongly oriented towards the private sector. Over 400 private corporations are members of ITU and contribute upwards of 10 per cent of its budget while up to 80 per cent of WIPO's budget is financed from the private sector through patent registration fees. Both agencies also manage major income-earning publication programmes, including electronic publishing. Thus significant administrative synergies would seem entirely feasible between the two agencies which, moreover, are physically very close to each other. If realized, such synergies could cover and benefit WMO as well.

32. The mandates of ILO and WHO are dissimilar except in occupational health, and their governing mechanisms quite unique within the system (ILO's tripartite structure and WHO's Regional Committees). Both are decentralized, relatively in the case of ILO with about 30 per cent of its staff outposted to the field, and extensively in the case of WHO with 60 per cent of its staff working in its regional and country offices. WHO alone accounts for close to 50 per cent of the combined staff of the five agencies. In terms of size and breadth of operations, UNHCR, WHO and ILO are relatively close, but in terms of the feasibility of pooling administrative resources into common service projects, ILO and WHO whose Headquarters are barely 50 metres apart, would be likely mates by virtue especially of their 1948 Agreement which provides for joint ILO/WHO inter-secretariat committees

4. Sources of funds

33. While executive heads have broad authority for the management of the regular budgets, the same does not always hold true for extrabudgetary resources and earmarked funds. The donors of these funds generally seek to exercise control over their use either by creating additional supervisory bodies, as in WHO, or separate accountability procedures often requiring dedicated staff to administer, as exemplified by the extrabudgetary and trust funds managed by some United Nations entities, especially UNCTAD, ITC and UNEP's office at Geneva.

34. For example, the different conventions under UNEP's aegis are administered by separate administrative units with blurred lines of accountability to executive management. Such separate and parallel approaches not only weaken central authority for consistent application of financial and administrative rules but also check cost-effective administration of resources. Inter-secretariat common services may prove difficult to achieve if integrated administrative and accountability structures covering all sources of funds are not achievable in individual secretariats.

D. Commonalities

1. Common membership

35. The foregoing constraints notwithstanding, Geneva-based secretariats and entities do share a number of common attributes, besides the Relationship Agreements, which could be used to strengthen cooperation in the management of support services. One such element is their legal status of international public organizations with near-universal membership and responsibilities. The organizations exist to promote cooperation and coordination amongst their members for the solution of common problems and advancement of common goals. The secretariats could apply that lofty goal to themselves also by reinforcing inter-secretariat cooperation and coordination in the conduct of mandates and delivery of programmes.

2. Common system

36. Not only do the secretariats share legal compatibilities, they also belong to a single international civil service based on a common system of salaries, allowances and conditions of service. They share the same basic framework of administrative and financial regulations and rules despite some variations, as well as common accounting standards. The ACC mechanism, especially CCAQ and ISCC, also could be used to greater effect to advance common service projects.

3. Co-location

37. Co-location is an important factor for some common services to be practicable. At the Geneva duty station the secretariats are all in very close physical proximity, which implies that the pooling of support services is a practical proposition if the will to do so exists in the governing bodies and secretariats.

4. Similar administrative management systems

38. Similar administrative management systems are probably the most important single denominator shared by the secretariats. Not only does a department of administration and management or its equivalent exist in each secretariat but the departments are also more or less similarly structured by major function, such as personnel recruitment and administration (or human resources management); budget and finance; procurement, management information system and technology; conference services; general services; etc. These basic structural similarities should facilitate achievement of inter-secretariat synergies in the performance of support functions.

5. Common reform goal

39. Many Geneva-based secretariats are currently undergoing internal reforms aimed at achieving more efficient managerial systems and processes as well as cost-savings. Although the reforms affect substantive programmes in some cases (e.g, United Nations entities, ITU or WHO), they are mostly focused on administrative management and information systems where, as shown in the following paragraph, opportunities exist for integrated efforts by the secretariats in order to release substantial resources for the benefit of their constitutional programmes and functions, which form their *raison d'être*.

6. Technological innovations

40. Technological innovations represent a core element of the above-mentioned reform initiatives. The secretariats have invested heavily in the past five years or so in the modernization of information systems and technologies which are transforming age-old methods and procedures of work. As currently applied to financial and personnel management functions and electronic publishing in some secretariats for example, technological standardization and integration of the secretariats could easily form the backbone of common services of the future at Geneva, with immense benefits in efficiency gains as well as cost and staff savings, provided of course that the emerging opportunities are not missed by the governing bodies and secretariats.

7. Common services

41. Common services such as the International Computing Centre, Pouch and Mail, Language and Management Training, or Joint Medical Service, which are currently shared more or less successfully by all Geneva-based secretariats provide paradigms and benchmarks that could be used to develop new and efficient cooperative arrangements.

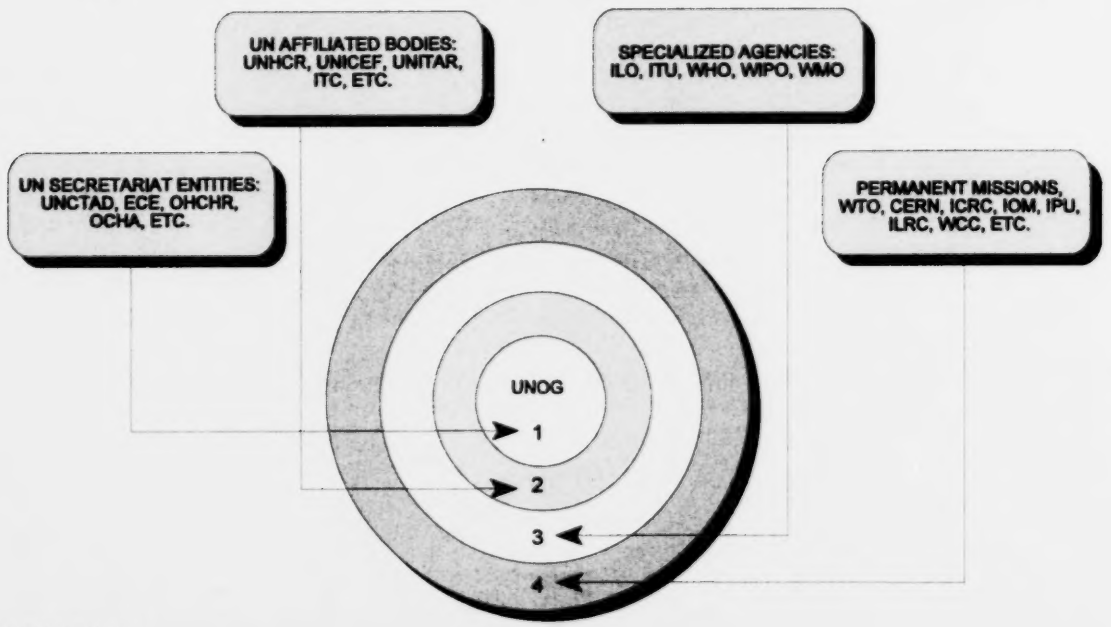
III. ADMINISTRATIVE COOPERATION AND COORDINATION

A. Pattern

42. Administrative cooperation within the Geneva international community can be illustrated with four concentric circles (Figure 8). The inner circle comprises UNOG and other United Nations secretariat entities funded mainly from the regular budget and whose support services are mostly integrated within UNOG. The second encompasses United Nations affiliated bodies and other entities funded essentially from extrabudgetary sources and which depend partly and unevenly on UNOG support services. The third circle represents the five specialized agencies whose administrative links amongst themselves and with UNOG are quite limited, save for a few common services. The fourth circle includes non-United Nations system entities, such as Permanent Missions, intergovernmental organizations and some major non-
governmental organizations which participate in some common services. It can be observed that administrative cooperation and coordination decreases from the inner circle (UNOG centre of gravity) towards the outer circles.

43. Table 2, page 13, further exhibits this pattern of cooperation while the inter-secretariat and geographical scope of existing common services is illustrated in Table 3, page 14. The two tables confirm the limited range of support services covering all the Geneva-based secretariats, namely UNIS, some

Figure 8. CIRCLES OF ADMINISTRATIVE COOPERATION AND COORDINATION


UN AFFILIATED BODIES: UNHCR, UNICEF, UNITAR, ITC, ETC.
SPECIALIZED AGENCIES: ILO, ITU, WHO, WIPO, WMO
UN SECRETARIAT ENTITIES: UNCTAD, ECE, OHCHR, OCHA, ETC.
PERMANENT MISSIONS, WTO, CERN, ICRC, IOM, IPU, ILRC, WCC, ETC.
UNOG
1
2
3
4

SLIDING SCALE

1. Full integration of support services within UNOG (UNCTAD only partly integrated)
2. Partial integration with UNOG but UNHCR and ITC virtually self-contained
3. No integration with UNOG; few common services with UNOG
4. Participate in some services (e.g. conference services, language training, ICC, JMS, etc.)

UNOG recruitment functions, language training, pouch, UN Laissez-Passer, ICC and JMS. The latter two services are administered by WHO. UNOG and WHO between them manage or host all Geneva-based common services. UNCTAD also provides a common service facility to some United Nations entities in the administration of project personnel. There are no services common to the five specialized agencies.

TABLE 2. PATTERN OF EXISTING COMMON SERVICES AT GENEVA

A. COMMON SERVICES COVERAGE	
1. All Geneva-based UN system organizations and some non-UN entities in Geneva	Pouch Training Library UNIS ICC JMS ESS (data/voice networks)
2. Specific to all Geneva-based UN system organizations	Laissez-Passer (except ILO)
3. Specific to UN entities	Security and safety * Conference services * Publishing Printing Travel
4. UN entities + some specialized agencies	Staff insurance JPS Board Visa (including WMO) IT/Telecom
5. Specific to all specialized agencies	None
6. Specific to some specialized agencies	Staff insurance (ILO/ITU)
B. COOPERATION AMONG SERVICE MANAGERS AND/OR USERS	
1. Periodic formal meetings	Joint Purchase Service CCAQ Training Sub-Group
2. Periodic informal meetings	CCAQ Training Sub-Group (Geneva) ICC, ISCC, ITAC, TIC (Geneva)
3. Ad hoc consultations or exchange of information	Technologists Legal Counsel Staff Counsel Financial Managers, etc.
5. Services outsourced jointly to private sector	Unknown

* Plus ILO, WHO during annual general conferences held in Palais des Nations

Table 3. SCOPE OF EXISTING COMMON SERVICES

COMMON SERVICE	UNITED NATIONS SECRETARIAT ENTITIES	INCLUDES UN AFFILIATED BODIES	COVERS ALL GENEVA-BASED UN SYSTEM	INCLUDES NON-UN SYSTEM ENTITIES IN GENEVA	INCLUDES ORGANIZATIONS/ DUTY STATIONS OUTSIDE GENEVA
UNOG SERVICES					
Recruitment					
Staff administration					
Training				Press, NGOs Perm. Missions	
Budget	Except ECE				
Accounts					
Payments					Payroll
Treasury					
Staff insurance			WMO, BIE		
Security and safety		UNHCR, UNDP UNICEF, ITC	ILO, WHO Conferences	Palais services (no charge)	
Procurement		for supplies only	tenders through JPS *		
Travel		UNHCR only			
Laissez-Passer					IMO, FAO UNESCO
Visa			WMO		
Conference					
UNIS					
Publishing					
Printing					
Pouch					
Electronic services				MEC	
NON-UNOG SERVICES					
JMS					UNV Bonn
ICC					

* Withdrawal of ILO effective 16 December 1997.
** For issuance of travel documents only (i.e., Laissez-Passers, UN Certificates).

44. All common services at Geneva, including UNOG, represented in the 1994-1995 biennium 39.2 per cent of the expenditures and 28.6 per cent of the staff of the secretariats' programme support resources. The services common to all the secretariats represented a mere 4.5 per cent and 1.9 per cent of their combined support services expenditures and staff respectively. As a result of this limited scope and depth of cooperative arrangements among the secretariats for the rational management of their overhead resources, there is a general pattern of fragmented administrative structures within the three circles described above. For example, there are 10 different personnel services (of which five for United Nations entities alone), and almost as many finance, procurement, electronic data processing, conference, publishing and printing services, which point to the very long way ahead in the building of administrative cooperation at Geneva. This challenge is further discussed in the following paragraphs at two levels: UNOG common services and non-UNOG services.

B. UNOG Common services

45. UNOG common services consist mainly of the Division of Conference Services (translation, interpretation, meetings, documentation, publication, printing, library, etc), the Division of Administration (Personnel Service, Financial Resources Management and Electronic Service, General Services), and United Nations Information Service (UNIS). The Office of the Director-General of UNOG also performs some common service functions such as diplomatic and protocol functions or legal counsel for all United Nations entities and some agencies. The users of Conference Services are predominantly institutional. OHCHR, UNCTAD and ECE account for over 50 per cent, in some cases over 70 per cent (e.g., translation and distribution) of the work load of the Conference Services Division. Most of the services of the Division of Administration are provided principally to staff members while UNIS' services are directed essentially to the public and more particularly to journalists and permanent missions.

46. UNOG is theoretically the centre of gravity for common services at Geneva but the reality is otherwise. In the course of gathering findings for this report, the Inspectors were informed of the general dissatisfaction of individual and institutional users of UNOG common services. This is not to say that the services do not function as such since most of the complaints were not about issues of service value but about long delays in service delivery and lack of accountability and transparency, especially in costing and billing methods, or in the use of common services income (see Table 4, page 17). The problems are somewhat complex and could be summarized as follows:

1. Intergovernmental orphan

47. UNOG lacks an intergovernmental oversight or advocacy body similar to those that monitor the performance and project the image of other United Nations entities at Geneva. No specific mechanisms exist to oversee the efficient operation of services or drive the performance of service managers. More generally, common services within the United Nations system have not always received the consistent attention and support that could have been expected from the governing bodies, except in some duty stations such as Vienna or field locations. Some Member States tend to adopt different positions in different governing bodies. Common services within the United Nations system need an articulate and consistent intergovernmental policy expression.

48. Another reason may be the lack of adequate and uniform enforcement of the Relationship Agreements mentioned in the Introduction, even though common services with a long record of stability and success, such as the Pension Fund or United Nations Laissez-Passer, are the ones expressly mentioned in those Agreements. In other words, the actual and potential value of UNOG as a common service facility at Geneva is still to be fully recognized by the General Assembly and Secretary-General.

2. Regional office operation

49. UNOG is one of several regional (European) offices of the United Nations and is treated almost provincially as such by Headquarters, in spite of the fact that most of the major entities and secretariats using its services are all headquartered at Geneva and have global operations. That makes Geneva an eminently global centre which, as noted moreover in the previous chapter, is also the largest United Nations system duty station in the world. UNOG's global responsibilities arising from that fact have not earned it special attention and concrete enabling measures by Headquarters with respect to the budgeting, staffing and management of UNOG services. For example, the apportionment of common services resources between Headquarters and UNOG in the areas of conference services, library, personnel, security and safety, pouch and mail, etc., appears skewed in favour of Headquarters whose inter-agency span of common services is smaller than UNOG's. The number of United Nations entities and staff serviced exclusively or partly by UNOG increased by 76 per cent in the last decade (see paragraph 16) in contrast to the declining trends at Headquarters (see Figure 1, page 4) excepting the 1992-1995 bubble of peace-keeping operations. Besides, the narrow scope of management authority and flexibility Headquarters has accorded to UNOG over the years has equally bedevilled its performance.

Table 4. MANAGEMENT OF SELECTED COMMON SERVICES AT GENEVA

	UNOG											WHO	
	Division of Administration						Division of Conference Services				UNIS	Manager JMS	Host ICC
	Procurement[4]	Recruitment	Training	Pouch	Finance	ESS	Language	Publishing	Printing	Documentation			
1. Users oversight or advisory committee	Yes/No[1]	No	Yes	No	No	No	Yes[2]	Yes[2]	Yes[2]	No	Yes[3]	No	Yes
2. Quality / efficiency standards exist	No	No	No	Yes	No	No	Yes	No	No	No	No	No	Yes
3. Satisfactory costing/billing formula	No[4]	No[4]	No[4]	No[4]	No[4]	No[4]	No[4]	No[4]	No[4]	No[4]	N/A	Yes	No
4. Performance measures, monitoring and evaluation	No	No	No	Yes	No	Yes (partly)	Yes	Yes	Yes	Yes	No	Yes	Yes
5. Responsive and accountable to users[5]	No	No	No	No	No	Partly[6]	No	No	No	No	No	No	Yes
6. External quality audits and benchmarking	No	No	No	No	No	No	No	No	No	No	No	No	Yes
7. Cost accounting system[7]	No	No	No	Yes (partly)	No	No	No	Yes	Yes	Yes (partly)	No	No	Yes (partly)

[1] The JPS Committee has not met for two years and its recommendations are generally ignored.
[2] An intergovernmental committee on conferences exists at United Nations Headquarters as well as the United Nations Publications Board. No users' inter-departmental committee exists at UNOG.
[3] Intergovernmental committee at United Nations Headquarters but no users' committee at UNOG.
[4] The budgeting, costing and billing of all UNOG services are done by the Financial Resources Management and Electronic Service (FRMES).
[5] For example, periodic reporting of workloads, performance achievements and constraints, and customer satisfaction surveys.
[6] Occasional customer satisfaction surveys.
[7] Includes, for example, regular analysis of the actual costs of products, processes and services in relation to established budgets and standard costs, and reporting thereon to user entities.

50. That fact was underscored as far back as 24 years ago in a 1974 document entitled "Administrative arrangements for the UNCTAD/GATT International Trade Centre" (A/C.5/1604) which stated as follows:

> "A part of the reason that the International Trade Centre has been less than satisfied with the administrative services provided by the United Nations Office at Geneva is the lack of delegation of authority to Geneva from New York.... There have been many complaints of the back and forth communications required between Geneva and New York before decisions on relatively minor matters could be made. For the administrative arrangements to work satisfactorily, it will be essential for more authority to be delegated from New York, especially in the personnel and financial entitlements areas.
>
> "Another difficulty perceived by the Centre is the lack of client attitude and timely responsiveness of the United Nations Office at Geneva in carrying out administrative functions....A further difficulty is the lack of experience by the United Nations Office at Geneva in administering field project personnel. Each side perceives that the other has been preoccupied with its own activities, using previous methods of operation as a frame of reference."

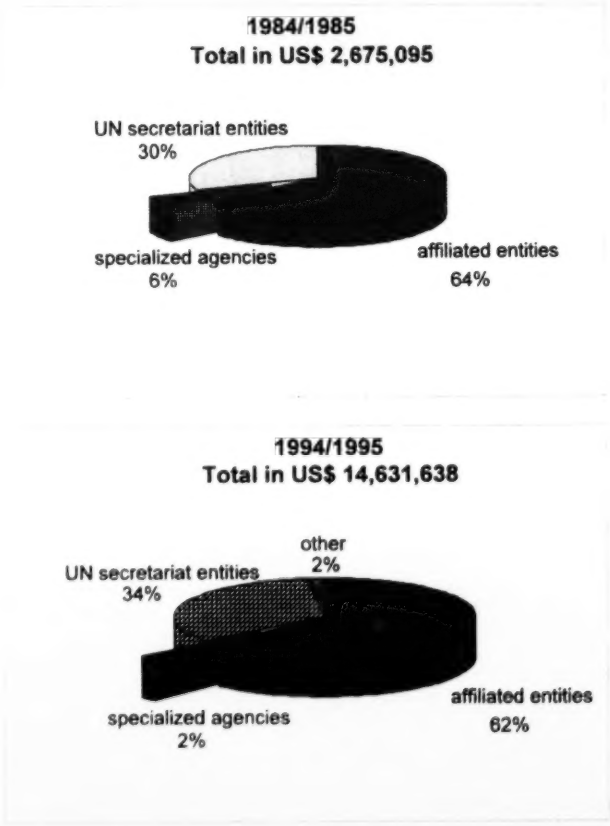
51. That 24 year-old quotation, which explains why ITC eventually set up its in-house support services, may still be valid today in echoing the assessment of nearly every other institutional user of UNOG services. It is why UNHCR decided to delink progressively from UNOG, and also why hardly any specialized agency at Geneva appears ready to participate in any expanded common services arrangements managed by UNOG. Indeed, the specialized agencies also appear to be delinking from the few services shared with UNOG until now, ILO having just terminated its participation in JPS. The share of the specialized agencies in UNOG's common services income fell from 6 per cent in 1985 to 2 per cent in 1995 (Figure 9, page 19). In short, therefore, UNOG's difficulties as a service provider may have given an overall negative image to common services at the Geneva duty station.

3. Executive leadership

52. UNOG's apparent lack of a coherent chain of command may also have added to its problems. Although headed by a Director-General (USG), UNOG's major divisions and services, especially the Division of Administration, maintain direct reporting and accountability channels to Headquarters Department of Management, also headed by a USG.

53. Further, the Director-General has no authority relationship with the programme managers, also at USG level, of the major United Nations entities located at Geneva (UNHCR, UNCTAD, ECE, OHCHR) who are the major users of UNOG's services, nor does he have formal managerial authority over the lesser graded directors of other United Nations entities such as ITC, UNITAR, UNICEF, UNEP or UNRISD. Almost invariably, the heads of some of these entities tend to refer directly to Headquarters, if not to their respective governing bodies, to seek special delegated authority to operate parallel support services (UNCTAD, ITC, UNITAR, etc). ECE and OHCHR, for example, have shown commendable discipline in their relations with UNOG.

Figure 9. UNOG COMMON SERVICES INCOME BY SOURCES OF FUNDS



4. Grade structure

54. The absence of cohesive leadership for common services at Geneva is also manifest in the grade structure of UNOG managers. There is an obvious missing grade link between the Director-General and the Directors (D-2) of the two main common services divisions (Conference and Administration). In the distant past, UNOG had an Assistant Secretary-General position with some responsibility for inter-agency collaboration at Geneva. A similar position existed in New York. The arrangement seemed ideal for nurturing inter-agency administrative cooperation and coordination at the two premier duty stations (New York and Geneva) of the United Nations system. The Inspectors note the appointment at Headquarters of an Assistant Secretary-General for Central Support Services to also serve as the Executive Coordinator for Common Services at Headquarters as well as locations away from Headquarters, including Geneva.

55. There is, however, a case for a high-level position at Geneva with effective administrative management responsibility, including especially managerial support for integrated information technology applications. At present the directors of the two main UNOG divisions are graded at D-2 level while their counterparts in the specialized agencies, for example, are graded at Assistant Director-General level (ILO, ITU, WHO and WIPO). The UNOG Chief of Personnel is similarly graded as the Director of personnel at UNHCR as well as UNCTAD's and ITC's chiefs of administration. She is one grade lower than her counterparts in the major specialized agencies. The same comparison holds true for other UNOG services.

56. The grade structure appears to conform more to UNOG's perceived status as a United Nations regional office than to its potential inter-agency leadership role in the development and management of services common to all Geneva-based organizations. The Inspectors wonder how UNOG managers can assume effective leadership on behalf of the Secretary-General for Geneva common services if they cannot, because of their lower grade status, speak and negotiate at eye-level with their counterparts in other Geneva-based secretariats. In other words, the relatively lower grade structure of UNOG managers could be a psychological handicap in any effort to extend UNOG services to other organizations at Geneva.

5. Organization

57. The hierarchical organization of some UNOG services, particularly in the Division of Administration, deserves a hard look. Unlike the Conference Services Division which smoothly combines vertical and horizontal approaches to the management of tasks and processes (for example, the different process stages of translation are identified and pre-programmed, with process-time allotments from one unit to another), the Division of Administration has a complex vertical system of chiefs of service, section, sub-section, group and sub-groups. Almost lost in this crowded system of chiefs is the operational bottom line where activities and processes are effectively performed and managed in many cases and where the operational responsibilities of UNOG are discharged and value created for its user departments.

58. Responsibility centres, which allotment documents show to be at divisional level, do not appear to correspond to budget centres (service level) and the latter do not correspond to activity centres (e.g. secretariats of personnel review bodies, visas, Laissez-Passer, Bern Card and Attestation units, pouch and mail, security and safety, printing and the numerous other units in General Services), where the responsibilities of directors and the various chiefs are actually carried out. Although these bottom line units and activity managers are the real drivers of UNOG common services, their expenditure and staffing figures are curiously hard to obtain because the budgeting and organizational system accounts mainly for Divisions and Services. The overall result is that accountability for the operation and management of UNOG common services is not rigorously focused on the units and staff actually providing the services.

59. The Inspectors believe these bottom line units and managers should be more clearly identified and empowered in a new organizational structure that economises authority titles and hierarchical levels in favour of horizontal approaches to the management of activities and processes which contribute value and efficiencies to the substantive work of UNOG's customer departments. The compression of vertical levels should result in shortening process-time cycles and decision-making or approval delays (e.g., recruitment and placement, job classifications, appeals, education grant and travel claims, etc). The wider the inter-agency responsibilities and functions of a common service unit, the more operating and budgetary autonomy it should have. A restructured and revitalized UNOG should focus more on the management of process-time cycles and less on command and control structures and relationships.

6. Design and operation

60. The same problems noted in this area by the Inspectors in their review of common services at United Nations Headquarters (JIU/REP/96/5) also exist at UNOG. Its service units appear to be more a product of history (demise of the League of Nations) than the result of a purposeful effort to design and subsequently perfect services which are "owned" by the users, or which are customer-friendly, accountable and responsive to substantive departments and programmes. That is why most of the services fail the litmus test of genuine common services as shown in Table 4, page 18. In other words, UNOG's service users are a captive clientele with hardly a choice or voice regarding the cost, quality and efficiency of services received.

61. Financed in the main from the United Nations regular budget, UNOG services seem to have been set up mainly for the core Secretariat entities located at Geneva. The affiliated entities funded mostly from extrabudgetary resources and whose importance and presence at Geneva have grown significantly over the years, tend to be serviced rather grudgingly as second-rate customers not to be "subsidized" by the regular budget. As such, UNOG's potential as centrepiece of common services covering all the Geneva-based entities and specialized agencies, especially in pursuance of relevant provisions of the Relationship Agreements, is currently not being fully realized.

62. Additionally, there is a general perception by the user entities that UNOG treasures the enforcement of regulations and rules, as a goal in itself, over the contribution of value and efficiency to the work of user departments. The operation of services appears warped by standard routine and is hardly sensitive to differences in the nature, scale and emergency character of user demands. That seems to be the main reason the essentially operational entities with major responsibilities and activities in the field, where speed of response to demands is of the utmost essence, have been delinking progressively from UNOG's ossified procedures. However, as shown in Annex 3 to this report, the Secretary-General is developing a new accountability system for support services which also should help reengineer UNOG services as well.

7. Staffing

63. Staff shortages have also taken their toll on UNOG. As observed in the preceding chapter, UNOG's overall staff strength has been in decline in the past decade in contrast to the expanding demands of the United Nations community at Geneva during the same period. For example, its human resources as a percentage of the programme support staff of all Geneva-based organizations and entities declined from 33.8 per cent in 1984/85 to 27.9 per cent in 1994/95. As a percentage of the staff resources of United Nations entities only, UNOG declined during the ten-year period from 30 per cent to 14.9 per cent. Excluding UNHCR's staffing figures, UNOG declined from 47.8 per cent to 36.6 per cent during the last decade. Whereas in 1984/85 each UNOG common service staff member supported $115,500 worth of programme activity, the figure more than doubled to $238,000 in 1994/95.

64. However, the degree of staff penury has varied among service units and divisions. Overall, the Division of Conference Services appears more adversely affected, notwithstanding its meritorious efficiency-reform efforts, than the Division of Administration which has managed to rely more on extrabudgetary posts, especially in FRMES which controls UNOG's purse and where extrabudgetary posts now outnumber regular budget positions. In contrast to FRMES, areas such as UNIS, Personnel Service and several General Service units (security and safety, messenger service, procurement, pouch and mail, etc.) have barely managed to cope with stagnant or declining staff strength. For example, the staffing table of the Pouch Unit has remained practically the same since 1980 even though the number of institutional pouch users and destinations have doubled and tonnage delivered has increased by almost 80 per cent since then. The Inspectors do not take issue with the Secretary-General's staff reduction measures as such. They believe, however, that staff cuts, as applied to UNOG, may have been counter-productive by weakening the epicentre of common services without sufficient regard for the expanding demand side or clientele for these services.

8. Technological innovations

65. Introduced tardily in UNOG in the early nineties, technological innovations are still to yield full impact on enhancing the efficiency of services, shaping administrative structures and procedures, or compensating for staff reductions. The Electronic Services Section (ESS) is generally credited with good performance despite its resource limitations, but its common service potential beyond the confines of UNOG remains to be further developed and integrated with telecommunication services. Currently, it provides access to UN entities and specialized agencies at Geneva to the UN global telecommunication network.

66. The Optical Disk System (ODS) is also proving to be a very efficient and useful innovation in the electronic storage, retrieval and distribution of parliamentary documentation. Its system-wide common service capabilities and benefits need to be promoted more deliberately. Other conference-servicing technologies, such as remote interpretation and translation, also provide a window of opportunity for cost savings and coordinated approaches at the Geneva duty station provided the UNOG technical infrastructure for such services can be developed accordingly. For example, the Division of Conference Services reports savings of about $500,000 attributable to "remote translation" for conferences held away from Geneva.

67. Technological applications are more advanced in some common service units than in others. For example, FRMES and the Security and Safety Service have made substantial progress in the application of automation systems, while the Pouch and Mail Unit and Printing among others, remain in need of technological modernization. The Integrated Management Information system (IMIS) is still a project with an uncertain completion deadline. Its "Releases" to date have not yet produced tangible efficiency or cost-reduction benefits in UNOG. More generally, its potential appears limited as a common service for all Geneva-based organizations, and even for all United Nations entities located at Geneva. For example, UNHCR and UNICEF continue to operate independent management information systems they consider more appropriate for their requirements.

68. In general, and notwithstanding the commendable efforts of UNOG's Electronic Services Section and increasing interactions among technologists, there appears to be limited high-level leadership for technological innovations and integration among Geneva-based United Nations entities. No such leadership exists at all at the level of all Geneva-based organizations beyond the forum of ISCC, an ACC body. The absence of such a central driving force has resulted in diverse modernization efforts and incompatible systems.

69. Furthermore, although much has been done to introduce computer technology into UNOG's operational routine, the Inspectors were informed that much of the investment remains patently under-utilized partly because it has not yet been backed up by appropriate user training resources and programmes. The psychological reluctance of some staff to adapt to changes induced by modern technology may also be limiting the efficiency and productivity benefits to be expected from technological innovations.

9. Budgeting and cost allocation

70. In their report on common services at United Nations Headquarters, the Inspectors observed that common services budgets were hardly rational because they did not seem to reflect the true costs and workloads of common service units. The same observation holds true for UNOG services. Without comprehensive work measurement and cost accounting standards (besides standard salary costs), the costing and budgeting of services is bound to be arbitrary. Probably for that reason, the Inspectors heard widespread complaints from user entities about UNOG's methods of costing services provided to the substantive departments.

71. At issue, in particular, is whether the high managerial overhead of UNOG (complex, vertical structure discussed in paragraphs 57-58) should be included or not in the costing of services provided by activity managers. Another issue is that in most cases service costs are not established by the managers concerned but by FRMES using a pro-rata formula. The question was raised, for example, about the justification and methodology used to cost the value of information technology services. The limited cost-accounting system developed by the Publishing Service, for example, could be a useful building block for more comprehensive systems.

72. Unlike novel cost-allocation and recovery methods being introduced in some Geneva-based agencies, such as ITU's integrated financial management system (IFM) or WMO's "internal trading" system, UNOG is still to develop a thorough system of attributing costs to the regular budget institutional users of its services. Such costs are currently attributed and recovered unevenly in respect of extrabudgetary institutional users. The charge-back system used by the Pouch Unit for all its customers irrespective of funding source may be worth emulating by other service providers. While regular budget entities have "apportioned costs" in their programme budget documents, it is far from clear which items and expenditure levels are covered by those costs and how they are managed to respond to ebbs and flows in user demands. For example, UNCTAD, ECE and OHCHR are the heaviest users of UNOG conference resources, accounting for over 50 per cent of the workload of conference units. That implies that the costs of the Conference Services Division should correspondingly be borne on a pro-rata basis by the budgets of the afore-mentioned three entities. That at present is not the case.

73. Furthermore, not only do UNOG common services resources appear arbitrarily budgeted in relation to real costs and workloads, they are also not managed by the common services concerned but by FRMES which seems to wield significant influence over the allocation and management of UNOG's resources, and by extension over the management of other common service units. For example, the income generated by service units is not always allocated back to strengthen the services in question, except for FRMES itself; common service users currently finance over half the staff of this service.

74. The Inspectors recommend that common services should be budgeted at activity management level as semi-autonomous, self-supporting facilities whose direct and indirect costs should be segregated proportionally to all user entities except the policy organs. Common service budgets should be expanding or contracting from one year or biennium to another in direct response to user demands and work loads. In other words, the budgeting and staffing of common service units should be demand-driven, not supply-conditioned as at present. Each user department irrespective of funding source should have a common service budget line and account, and common service managers should be enabled to develop cost-accounting methodologies, as well as internal performance monitoring and evaluation systems specific to their respective services, and empowered to manage their budgetary and staff resources in fulfilment of their accountability to user departments.

10. Ownership committee

75. As earlier noted, UNOG's common services are currently oriented more towards Headquarters in New York in terms of their direct reporting and accountability channels than towards the Geneva-based programme managers using these services. The notion that UNOG should be accountable exclusively to New York obscures the fact that Geneva-based programme managers, like all United Nations programme managers, equally are accountable to the Secretary-General for the efficient management of their programmes and resources. So long as UNOG remains administratively wedded to United Nations Headquarters as at present, its potential as a common service facility for all United Nations entities and the specialized agencies at Geneva may prove difficult to maximize.

76. Therefore, in the absence of an intergovernmental oversight mechanism for UNOG, the Inspectors see the need for a more active involvement by the heads of the United Nations entities in the management oversight of UNOG common services. Rather than decoupling from UNOG, these entities should be delinking UNOG from New York by strengthening their "ownership" of UNOG services and contributing to service improvements and problem resolution. This would be more feasible in the context of a high-level users committee chaired by the Director-General of UNOG and comprising the heads or their representatives of the major United Nations entities at Geneva, including UNHCR. The committee could meet every six months and it should be open-ended to include the specialized agencies wishing to participate formally or informally.

77. The establishment of this committee should be accompanied by a significant measure of decentralization of management authority from New York. The committee should, in effect, exercise authority on behalf of the Secretary-General for the organization, staffing, budgeting and overall modernization of UNOG common services. It should, therefore, have all the powers of a management committee or executive board to which UNOG service managers will be fully accountable for their performance. The pro-rata segregation of UNOG's costs to the entities represented on the proposed committee should help clarify authority and accountability relationships between UNOG service providers and service users.

78. The foregoing paragraphs suggest that UNOG is far from meeting the objective established for common services by the Secretary-General in his Programme for Reform: "the objective is to assure that support services are cost-effective, high quality and timely, provided on a competitive basis and result in full client satisfaction. This implies a clear price structure for common services, a transparent system of budgeting and reimbursement, accountability to clients for the delivery of services, user-feed back mechanisms, harmonization of regulations, rules, policies and procedures and economies of scale and selective outsourcing." (Document A/51/950 of 14 July 199, paragraph 243). There is, therefore, an obvious need to rebuild the institutional infrastructure and credibility of UNOG as the linchpin for implementing the relevant provisions of the Relationship Agreements mentioned in the Introduction. A revitalized UNOG common service centre will be the major pre-condition for reconfiguring common services among United Nations entities and extending some of the services to other Geneva-based organizations. In so doing, UNOG's responsibilities and status arising from the global significance and centrality of the Geneva duty station to the United Nations system should be fully recognized by the Secretary-General and General Assembly.

C. Non-UNOG services

79. It may be instructive that among the most comprehensive and successful common services currently existing at Geneva are two services not managed by UNOG but hosted by WHO, the largest Geneva-based specialized agency. The two services in question are ICC and JMS. As can be observed in Table 4, ICC, which was practically fading until 1993 when it had a new director with appropriate managerial and technological expertise, demonstrates two facts: firstly that a common service arrangement among all Geneva-based secretariats and involving other organizations outside Geneva is entirely feasible if the will to make it work exists; and secondly that a common service arrangement can be professionally managed and remain fully accountable to user entities. JMS and ICC are reviewed in greater detail in part II of this report subtitled: "Selected case studies".

IV. NEW FRAMEWORK

80. The same basic framework proposed by the Inspectors for the organizations located in New York (see Common Services at United Nations Headquarters - JIU/REP/95/5; General Assembly document A/51/686, annex, paragraphs 62-65) is also recommended, mutatis mutandis, for Geneva-based organizations. The objectives and guidelines set forth in that report for common services are reproduced below for ease of reference.

A. Main objectives

81. The Inspectors recommend that common services should aim to:

(a) Ensure the most efficient and cost-effective use of the human and financial resources of the participating entities, individually and collectively, through the elimination of similar, overlapping non-core services and pooling of the managerial and technical cream of each functional discipline into common or joint endeavours dedicated to management excellence;

(b) Encourage high performance standards through the identification and replication of best management practices;

(c) Foster a single vision and coherence of concepts and approaches within the United Nations system by using common services as instruments of integration, including harmonisation of the operational policies, methods and procedures of the system;

(d) Reinforce support for integrated approaches, facilities and services at the field level in keeping with relevant General Assembly resolutions on operational activities for development;

(e) Promote a global, interdependent network of common services, for example through mutual technical support, horizontal information exchange, and communication of lessons of experience among services in different locations.

B. General guidelines

82. The Inspectors have identified the following general guidelines, which are not exhaustive, as being essential to the successful organization and management of common services:

(a) Institution by the entities concerned of the most appropriate and uniform operational policy, methods and procedures for each common service with due respect for the mandate and mission identity of each participating entity;

(b) In view of the specific nature of each common service, the participants should decide on the most appropriate modality for organizing and providing the service concerned, including in some cases the need for relatively autonomous, self-supporting joint ventures, or use of outsourcing to the private sector under a single policy and contract;

(c) A user oversight or advisory committee should be established, where non-existent, for each service or group of services, where appropriate, and endowed with clear terms of reference including authority and responsibility for approving service work plans, budget proposals, developing and monitoring standards of quality and efficiency, selecting key service managers and evaluating their performance, and ensuring full accountability to all users, with special emphasis on the need for cost-accounting and periodic reporting of performance achievements and constraints;

(d) Common service participants should decide on the best policy for budgeting, staffing, managing and sharing the costs of each service to ensure consistent performance standards and professionalism, including entrepreneurial flair where required.

83. To the above general guidelines could be added the following other principles emphasized to the Inspectors in the course of this review:

(a) Common services should not exist for their own sake; their main rationale should be to add value and efficiency to, and reduce the cost of, the work of participating organizations;

(b) Common services should not be organized as monopolies; participating organizations should have a choice and some flexibility;

(c) Common services should also be competitive with external service providers in terms of cost, quality and efficiency. For this reason, they should be subjected to periodic internal or external quality audits and benchmarking;

(d) Common services should emphasize standardized approaches and similarity of objectives; they should encourage inter-operability of equipment items and technologies as well as support staff mobility among the secretariats.

84. Besides the above general guidelines and some desirable common service attributes listed in Table 4, the Inspectors believe the United Nations Joint Staff Pension Fund, ICC, Pouch, etc, also do provide tested models that can be used by the organizations in designing and developing common administrative arrangements at the Geneva duty station.

C. Plan of Action

85. On the basis of their findings, the Inspectors recommend a Geneva plan of action for common services illustrated by Figure 10 and including the following stages:

86. The Secretary-General of the United Nations, in his capacity as Chairman of ACC, should convene a meeting of Geneva-based executive heads of the specialized agencies and United Nations programme managers with the specific purpose of launching a plan of action for Geneva common services;

87. In phase 1 all the secretariats concerned should set up an implementation or advisory committee of the heads of administration and management (or their representatives). The committee would have the following terms of reference:

(a) Consider the ways and means of establishing a Geneva Technological Innovations and Integration Task Force supported by ICC and ISCC and the best possible methods for achieving technological compatibilities among Geneva-based secretariats;

(b) Identify on the basis of paradigms afforded by existing successful services, a list of services or functions which could be performed centrally for all Geneva-based organizations within a five-year time frame. The Inspectors propose the following in particular:

- Geneva international telephone and e-mail directory for all secretariats and permanent missions;
- An area network for the Geneva international community (similar to the Geneva metropolitan area network project);
- Optical disk system linking all secretariats and permanent missions;
- Management and Cost Accounting Unit;
- Central conference servicing facility to support relatively large conferences and meetings and charged with harmonization of calendars of conferences and reservation of conference rooms bearing in mind that UNOG conference rooms are now underutilised at less than 50 per cent of their capacity. The facility here proposed could exclude interpretation, translation and text processing functions unless otherwise decided by two or more organizations;

- A United Nations system publishing house with a common heavy-duty printing plant which could be used by organizations at other duty stations. Each organization may retain pre-press functions;

- A revitalized joint purchase service with broadened mandate;

- Travel agency services;

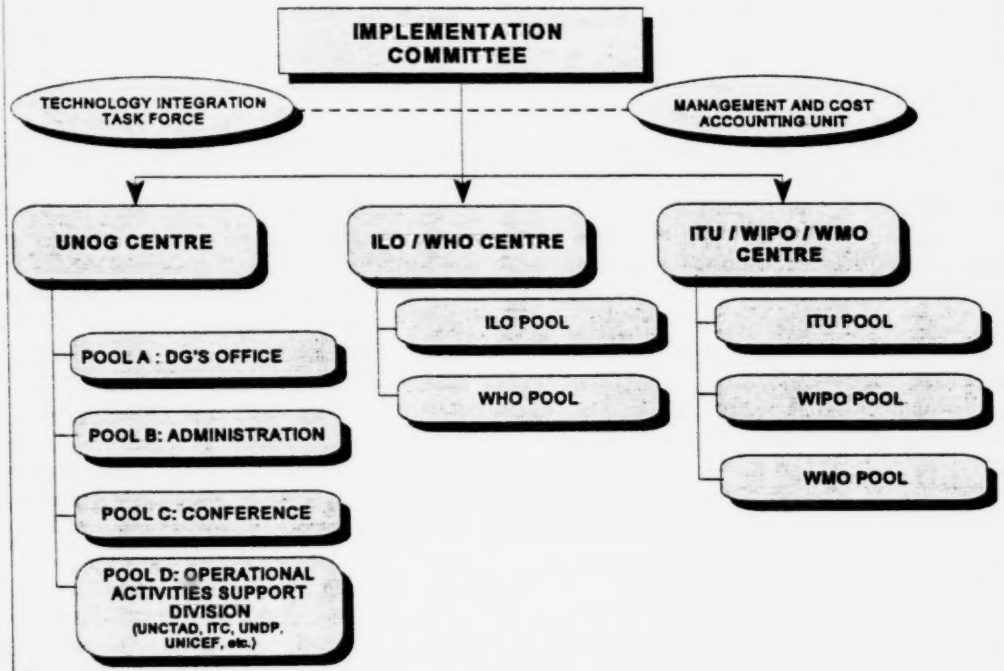
- Common outsourcing policies, approaches and arrangements, taking into account the recommendations contained in the JIU report entitled "The challenge of outsourcing for the United Nations system " (JIU/REP/97/5; A/52/338).

(c) Other objectives as may be deemed necessary by the Committee.

88. Concurrently with the work of this Committee, the United Nations Secretary-General may consider measures to restructure and revitalize UNOG in order to restore its performance credibility and image, taking into account the findings and recommendations of this report.

89. In phase 2 of the proposed plan of action, and parallel to the implementation of Geneva-wide common services as proposed in phase 1 above, three pilot common service centres should be established at Geneva within a five year period (2000 - 2005), as follows:

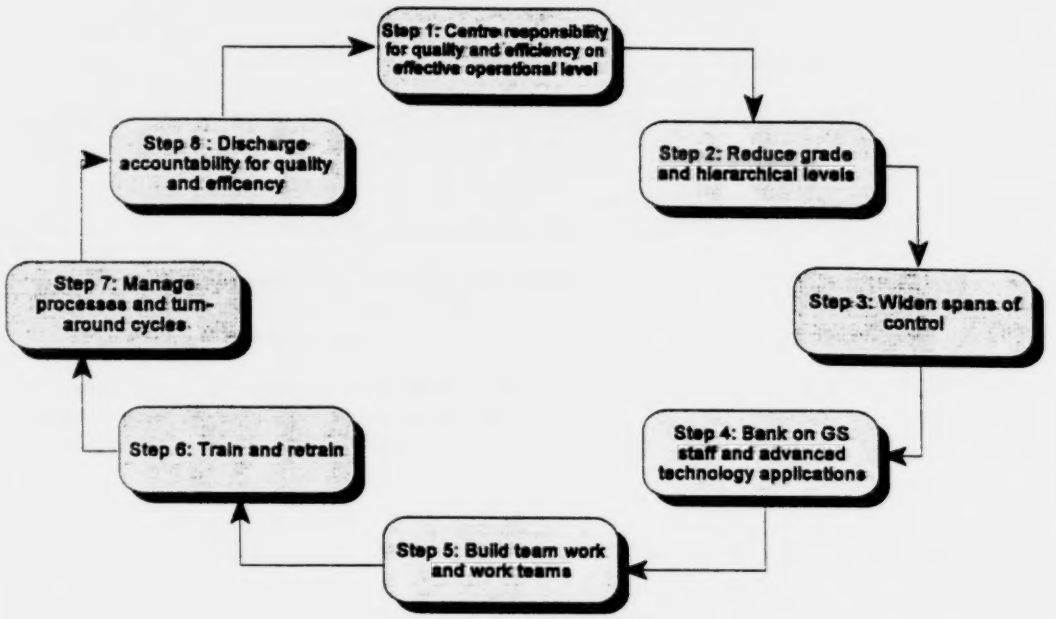
Figure 10. PLAN OF ACTION FOR GENEVA COMMON SERVICES (2000-2010)



Principles

- **Equalize responsibilities and stakes: each participating organization is also a common services provider.**
- **Each common service centre has a management committee.**
- **Each executive head is responsible and accountable to peers for the efficient management of services assigned to his/her organization.**
- **Creative competition is encouraged among the centres and pools in the cost effective delivery of high quality services, and annual management reviews are conducted to identify benchmarks for emulation, recognize and reward star performing centres and pools.**
- **Staff mobility among centres and pools.**

Figure 11. MANAGEMENT OF COMMON SERVICES: A VIRTUOUS CIRCLE


Step 1: Centre responsibility for quality and efficiency on effective operational level
Step 2: Reduce grade and hierarchical levels
Step 3: Widen spans of control
Step 4: Bank on GS staff and advanced technology applications
Step 5: Build team work and work teams
Step 6: Train and retrain
Step 7: Manage processes and turn-around cycles
Step 8 : Discharge accountability for quality and efficency

(a) **UNOG Centre (restructured and modernized)** which should progressively absorb all the support services now performed by other United Nations entities, except UNHCR whose support services should be absorbed on a case by case basis to be agreed by those concerned and bearing in mind the long-term goal of achieving integrated and highly efficient support services for United Nations entities at Geneva. In a reconfigured UNOG, the Director-General's office could become a common service pool in its own right, for example through direct oversight of some politically-sensitive functions like security and safety in addition to protocol and legal services. Further, a field operations support Division could be established as part of the UNOG centre but not necessarily integrated within the current UNOG set-up as such. The proposed new Division would absorb technical cooperation support and other field oriented functions now performed by the different UN entities at Geneva, such as UNCTAD, ITC, ECE, UNDP and UNICEF regional offices and perhaps eventually UNHCR. In addition, a small management and cost accounting unit could support the modernization of UNOG common services and also assist other common service centres in their search for managerial and cost efficiencies.

(b) **ILO/WHO Centre**: both agencies should agree on the support services to be provided in common starting with a common catering facility, integrated office space management and joint medical unit (JMS). At least 50 per cent of their existing (especially general services and internal administration) programme support resources at Headquarters, should be integrated progressively, with either organization hosting or managing an equal share of such services;

(c) **ITU, WIPO and WMO centre** would also be similarly established, with each agency managing or hosting a proportionate share of pooled services.

90. The management of Geneva-wide common services identified in phase 1 above should be apportioned as appropriate to the three pilot centres, which should compete creatively in pursuing staffing, cost and technological efficiencies with the expert support of the management and cost accounting unit proposed above. Additionally, the pilot centres should foster interchange of common service managers, performance results and other lessons to guarantee mutual support among them and strengthen common approaches and convergence of administrative management objectives. Appropriate lessons should also be drawn from common services arrangements in New York, Vienna and field duty stations.

91. Figure 11 illustrates a virtuous circle for the management of common services. Some of the expert support service functions (budget and finance, personnel, procurement, etc) currently performed by professional staff in the different organizations can very well be taken over by properly trained General Service staff (GS-5/6) equipped with appropriate specialist databases. Thus significant economies would seem possible simply by compressing grade levels and relying on General Service staff and advanced technology to deliver services.

92. **In phase 3 (2006 - 2010);** the secretariats should undertake an in-depth review of their experience with the three pilot common service centres and consider further measures to strengthen linkages among the centres.

93. The framework and plan of action are not cast in concrete. They are proposed primarily to give impetus and direction to an inter-agency collaborative process that should be further developed and refined for implementation and fully owned and managed by the Geneva-based organizations, especially in furtherance of shared efficiency and restructuring objectives.

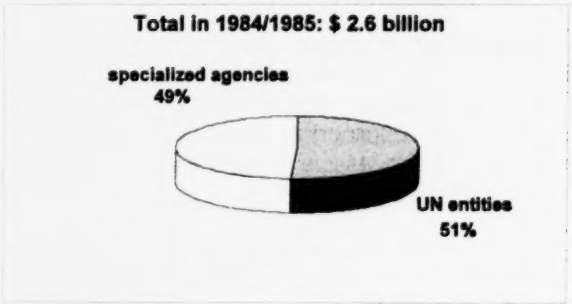
94. The proposed measures are, therefore, entirely feasible, especially if the governing bodies and secretariats concerned display the type of collective vision and will for action evinced, for example, in the far-sighted and dogged pursuit of European economic and monetary integration. The fact that four of the five specialized agencies located at Geneva, have new executive heads should help to forge new cooperative strategies and tools. All the organizations and entities stand to gain from implementation of the plan of action not only in terms of reduced overhead costs but more significantly in terms of more sharpened focus on their constitutional mandates. The disciplined construction of common services, driven by technological modernization and integration of the secretariats, could generate other returns, such as the rationalization of internal support systems and processes, especially among United Nations entities and in WHO and ILO, by enabling comparability of staffing efficiencies among the secretariats or requiring substantive departments to exercise greater discipline in their requests for services and compliance with submission deadlines.

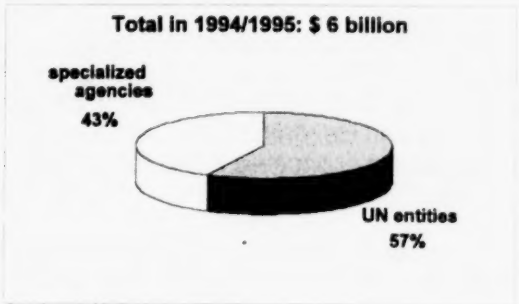
95. If the plan of action is implemented to the extent that the organizations and entities concerned achieve an average 30 per cent reduction in their combined overhead staff of 4,656 (see para. 18, page 4) within five years, that should yield staff savings of about 1,400 representing cost savings of over $200 million per year, on the basis of the latest standard salary costs applicable to the Geneva duty station.

96. The Inspectors therefore recommend that the framework and plan of action be endorsed by the General Assembly and the competent organs of the Geneva-based specialized agencies.

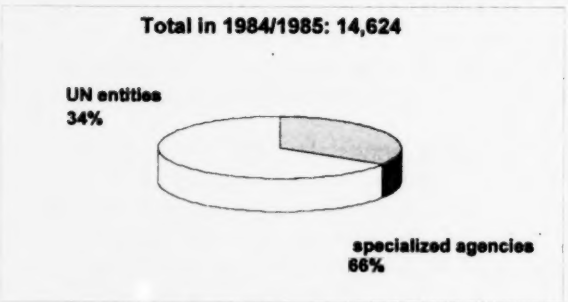
ANNEX 1
AGGREGATE EXPENDITURES AND STAFF OF GENEVA-BASED ORGANIZATIONS: DISTRIBUTION BETWEEN THE UNITED NATIONS ENTITIES AND SPECIALIZED AGENCIES

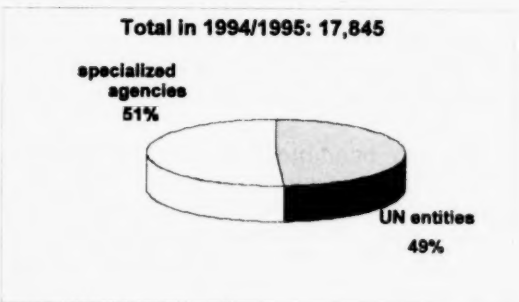
A. EXPENDITURES (nominal figures)





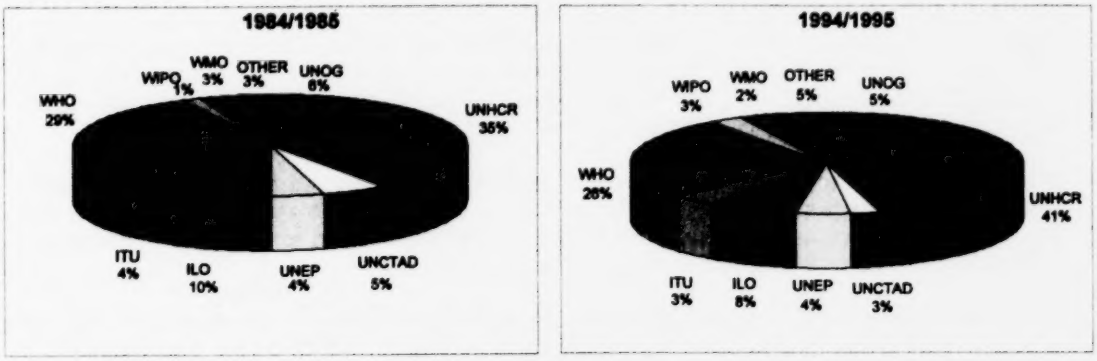
B. HUMAN RESOURCES



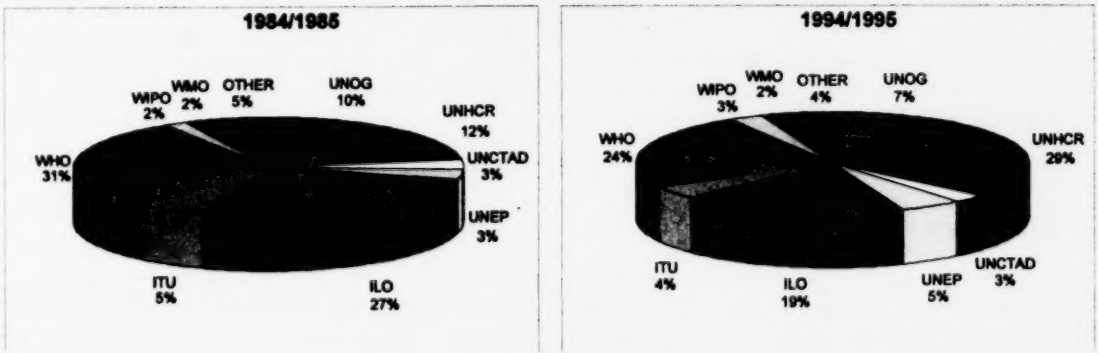


ANNEX 2
AGGREGATE EXPENDITURES AND STAFF OF GENEVA-BASED ORGANIZATIONS: PERCENTAGE SHARE OF EACH ORGANIZATION

A. EXPENDITURES (nominal figures)



B. HUMAN RESOURCES



ANNEX 3
COMMON SERVICES STRATEGY PAPER

(Prepared by the United Nations Department of Management)

BACKGROUND AND PURPOSE

1. Secretary-General Annan's reform objectives were outlined in his note to the President of the General Assembly (A/51/829 of 17 March 1997). Responsibility for fleshing out the Secretary-General's proposals for common services approaches was assigned to the Under-Secretary-General for Administration and Management, who in turn requested the Assistant Secretary-General (OCSS) to establish a Task Force charged with identifying concrete initiatives that would help achieve the Secretary-General's objectives in the common services area.

2. The Task Force, and the eleven working groups it commissioned, succeeded as a rapid-response mechanism, helping to quickly target a range of actions to be undertaken. Outputs from the Task Force were used to shape the Secretary-General's report to the General Assembly (A/51/950 of 14 July 1997) and subsequent status updates.

3. The appointment in October 1997 of an Executive Coordinator for Common Services and the assembly of a small support team provide a mechanism for ensuring that momentum generated by the Task Force is sustained. The process is now, however, at a point of transition which requires the development of an overall strategy; clarification of the roles and tasks of the various parties directly involved (the Executive Coordinator, the Task Force, and the working groups); and identification of the linkages and relationships with other groups whose activities include or affect common services issues. The present document is intended to serve as a starting point for consideration of these issues.

BASIC PRINCIPLES

A. Mandate

4. The Under-Secretary-General for Management appointed the Executive Coordinator and commissioned the Task Force, and is therefore the individual to whom actions are reported and recommendations made by the Executive Coordinator. While the Executive Coordinator's mandate includes the Secretariat, Funds, and Programmes, the spirit underlying the common services initiative is to find practical ways of reinforcing the notion of "One United Nations" in which different entities, pooling resources and standardizing practices, can more easily and effectively draw from each other's respective strengths.

B. Common Services - A Working Definition

5. The term "common services" has been used to describe a variety of service arrangements. The present proposals are based on a differentiation between two types o f such services:

Central services are those which are provided to various units within the same organization, and are carried out under a direct line of management authority which is within that organization.

Common services are those which are provided, through various formal or informal mechanisms, to "client" organizations other than the providing organization. Management of such common services requires a responsiveness to the concerns of client organizations whose consent and cooperation is an essential element of the common service framework. There may be direct or indirect modalities of compensation from one organization to another for such services.

6. A service can be both central and common: in fact common services would normally be based on an existing central service, particularly when a "lead agency" concept (i.e., drawing from the recognized comparative advantage or capacity of one organization) is used. It can also be the case that an organizational unit that provides services to clients also performs normative functions which are not, strictly speaking, services to those clients. The performance of normative

functions and the provision of client services are two different (though potentially overlapping) roles which must be distinguishable from each other, i.e., both the provider and the client must know and agree on which role prevails in a given setting.

ELEMENTS OF A STRATEGY

7. The basic elements of a proposed initial common services strategy are outlined in the ensuing paragraphs. As additional experience is gained, this initial strategy will be subject to refinement.

A. Improvement of Central Services

8. The United Nations must ensure that central services operate in a business-like, client-oriented manner. Efficient, flexible and cost-effective central services are essential, not only because of their practical and financial importance, but also because sound central services are the logical staging ground for the provision of common services.

9. Decisions with regard to central services can be taken and carried out more readily tan those affecting common services, which require consultation and consensus-building.

10. Consequently, the Executive Coordinator will identify and promote expeditious implementation of improvements in central service mechanisms. The primary, though not exclusive, focus of this strategic element will be on the United Nations Secretariat, where a sizeable number of central and common services are located. "Lead agency" mechanisms will provide the same challenge and opportunity to organizations other than the Secretariat to build their areas of strength.

B. Promotion of Common Service Approaches

11. As noted above, one of the key characteristics of a common service is that the service provider and te client must agree on a relatively broad range of issues in order for the arrangements to be viable, including the scope of the services, quality and timeliness parameters, decision-making mechanisms, and compensation formulae. Reaching such agreements is particularly difficult when the organizations are using different operational instrumentalities, including regulations, rules and procedures.

12. Starting from the ongoing or potential common services areas identified by the Task Force and working groups, the Executive Coordinator will promote the development and utilization of common services approaches through:

- establishing and/or supporting multi-organization common services planning, coordination, and/or implementation groups,

- developing evaluation criteria according to which choices can be made among common services modalities, including, inter alia, "lead agency" approaches, outsourcing, umbrella agreements, and electronic procurement facilities; and

- pursuing the harmonization and/or synchronization of different operational instrumentalities.

C. Coordination of Activities Related to Common Services

13. A plethora of working groups, task forces, committees and individuals is working on topics which wholly or partly concern common services approaches, including, inter alia, the United Nations Development Group (UNDG), the Consultative Committee on Policy and Operational Questions (CCPOQ), the Consultative Committee on Administrative Questions (CCAQ), the Joint Consultative Group on Policy (JCGP), and the Inter-Agency Procurement Working Group (IAPWG). In addition, bodies such as the Board of Auditors, Office of Internal Oversight Services (OIOS), and Joint Inspection Unit (JIU) regularly address related topics. Greater clarity with regard to subject matter and accountability, and better coordination of initiatives and actions, will

help provide a coherent and effective framework for achievement. At the same time, confusion, delay, and gaps in issue coverage will be minimized.

14. The Executive Coordinator will develop an overview profile of all groups working on issues related to common services, and will propose, as appropriate, a coordinated division of labour which would optimize the return to the overall UN system on the resources invested and which would establish clear accountability for the various components of reform and management enhancement activities.

D. Promotion of Common Services Approaches Beyond New York

15. It is expected that common services approaches will be promoted at as many locations as are practicable, including not only New York, Vienna, Geneva and Copenhagen, but also Regional Commissions and country-level offices. While these dispersed initiatives can be encouraged and supported from New York, inclose collaboration with other groups that are involved with these issues, real progress at other locations depends on applying the knowledge, staff resources, and motivation of stakeholders based at those locations.

16. In order to strike a balance between spreading attention and resources too thinly, on the one hand, and under-reaching, on the other, the Executive Coordinator will approach the extension of common services facilities to other locations by:

- initially focusing primarily on developing objectives, timeframes, and implementation modalities for New York common services initiatives;

- establishing an information-sharing network with heads of offices, organizations and agencies in all major locations through which new initiatives can be encouraged and/or supported;

- overseeing the replication in other locations of Task Force/working group arrangements similar to those in place in New York, and providing guidance and backstopping to them in their workings;

- initiating common services pilot projects in Geneva, Vienna and other suitable locations, with Vienna being a probable initial candidate; and

- liaison with the UNDG on country-level initiatives.

ROLES AND RELATIONSHIPS

17. For the foreseeable future the Executive Coordinator/Task Force/working group framework provides a useful platform for at least New York-based common services initiatives. The roles of each of these participants and their relationships with each other in furthering the proposed strategy can, however, benefit from some clarification.

18. It may also be noted that human and financial resource available to the Executive Coordinator, Task Force, and working groups are limited. Consequently project proposals for extra-budgetary funding will from time to time be put forward.

EXECUTIVE COORDINATOR FOR COMMON SERVICES

19. The Executive Coordinator, individually and by way of the common services team which has been assembled, will:

- Coordinate and oversee implementation of the strategy outlined in the present document, including to develop and/or modify it in light of experience gained;

- Liaise with and keep informed the heads of Departments, Funds and programmes on common services issues;

- Promote implementation of central service improvements within the Secretariat, reporting thereon to Task Force members;

- Oversee development of and obtainment of funding for common services project proposals;

- Chair the Task Force on Common Services;

- Establish, monitor, and evaluate the effectiveness of working groups and other issue-specific mechanisms that may be put in place;

- Report on Task Force/working group activities to the Under-Secretary-General for Management and, as required, to other individuals or UN bodies.

TASK FORCE ON COMMON SERVICES

20. The Task Force on Common Services will:

- Assist the Executive Coordinator in reviewing implementation of the common services strategy and in assessing any changes required in the strategy or in its modalities of implementation;

- Review proposals and recommendations put forward by the working groups on common services, including project proposals for outside funding; and

- Recommend initiatives or actions that will establish or reinforce a common service, particularly those that will require commitments of cooperation, participation, and human and/or financial resources from the organizations they are representing.

21. Representatives to the Task Force, within their organization, will assist in explaining and engendering support for initiatives/actions recommended for implementation by the Task Force.

WORKING GROUPS OF THE TASK FORCE ON COMMON SERVICES

22. Working groups are established or abolished by the Executive Coordinator with the concurrence of the Task Force. The Chairperson of a working group is appointed by the Executive Coordinator with the concurrence of the Task Force. As the working groups are not intended to be permanent, it is expected that the Chairperson will serve for as long as the working group is convened; this can be reviewed and revised upon the recommendation of the Executive Coordinator, the Task Force, or the working group itself.

23. Working groups are responsible for:

- Fact-finding with regard to existing or potential central or common services;

- Recommendation of specific actions to be undertaken, along with timetable, estimate of resources required, and definition of accountability for implementation;

- Liaison and/or coordination with other working groups, as appropriate;

- Identification and/or elaboration of common services projects suitable for outside funding; and

- Exploring and reporting on concerns referred to the working group by the Task Force.

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Fifty-third session
Agenda item 165
Joint Inspection Unit

Report of the Joint Inspection Unit on the United Nations Office for Project Services

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Joint Inspection Unit entitled "United Nations Office for Project Services: broader engagement with United Nations system organizations" (JIU/REP/98/5).

99-00596 (E) 100399

A/53/788

JIU/REP/98/5

UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS): *BROADER ENGAGEMENT WITH UNITED NATIONS SYSTEM ORGANIZATIONS*

Prepared by

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Louis Dominique Ouedraogo

JOINT INSPECTION UNIT

Geneva
1998

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ACRONYMS

ACABQ	Advisory Committee on Administrative and Budgetary Questions
ACC	Administrative Committee on Coordination
AOS	Administrative Operation Services
CCAQ	Consultative Committee on Administrative Questions
CCAQ(F-B)	Consultative Committee on Administrative Questions (Financial and Budgetary)
CCPOQ	Consultative Committee on Programme and Operational Questions
DDSMS	Department for Development Support and Management Services
DESA	Department of Economic and Social Affairs
DNDR	Decade for Natural Disaster Reduction
DPA	Department of Political Affairs
DPKO	Department of Peace-Keeping Operations
ECOSOC	Economic and Social Council
FAO	Food and Agriculture Organization of the United Nations
IAPSO	Inter-Agency Procurement Services Office
IAPWG	Inter-Agency Procurement Working Group
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
ISCC	Information Systems Coordination Committee
JIU	Joint Inspection Unit
LAC	Latin America and the Caribbean
MCC	Management Coordination Committee
MSAs	Management Services Agreement
NEX	National Execution
NGOs	Non-Governmental Organizations
OCHA	Office of the Coordinator for Humanitarian Affairs
OPE	Office for Projects Execution
OPS	Office for Project Services
PAHO	Pan American Health Organization
PRODERE	Development Programme for Refugees and Displaced Persons
RESS	Rehabilitation and Social Sustainability
SLT	Strategic Leadership Team
TOKTEN	Transfer of Knowledge through Expatriate Nationals
UAG	Users Advisory Group
UNAIDS	The Joint United Nations Programme on HIV
UNCDF	United Nations Capital Development Fund
UNDCP	United Nations International Drug Control Programme
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNOHCHR	United Nations Office for the High Commissioner for Human Rights
UNOPS	United Nations Office for Project Services
UNRISD	United Nations Research Institute for Social Development
UNV	United Nations Volunteers
WAASE	Western Asia, Arab States and Europe
WHO	World Health Organization
WFP	World Food Programme

EXECUTIVE SUMMARY: OBJECTIVE, CONCLUSIONS AND RECOMMENDATIONS

OBJECTIVE: **to enhance effective cooperation between the new UNOPS and United Nations system organizations by taking advantage of divisions of labour and complementarities between them for the benefit of programme countries.**

CONCLUSIONS

A. UNOPS

1. Through reorganization and the introduction of managerial tools and instruments --- including the integrated team approach, the dedicated procurement regime, decentralization, and flexible application of resulting rules and regulations --- UNOPS has gained increased recognition for its ability to satisfy the changing demands of its clients and provide effectively the services needed for the projects it supports.

2. Following its self-financing principle, UNOPS generates sufficient income to cover all administrative expenses and maintain an operational reserve for risk management purposes.

3. Through new partnerships and different approaches and by meeting certain new demands, especially in regard to emergency situations and issues beyond the agenda of development, UNOPS has made notable progress in diversifying its client base, though the financial value of new client business does not yet constitute a major percentage of UNOPS business activity.

4. UNOPS pursues decentralization, but only when there is a critical mass of projects in a certain geographic area to ensure that the office in question will be self-financing, viable and cost-effective.

5. Problems have arisen with the advent of new decentralized offices, including meeting the skill requirements of individual jobs; ensuring appropriate interrelationships among units, especially regarding the added complexities of coordination and communication among geographical, thematic, and type-of-service units; and maintaining the appropriate control and accountability that should go with increased delegation of authority.

6. Sources of procurement and contracting for goods and services, including services of consulting firms and consultants, have been of special concern to Member States, especially those from developing countries, countries with economies in transition, and underutilized major donor countries. It is also a major recurring issue for UNOPS management.

7. The Management Coordination Committee (MCC), created as a compromise when UNOPS future was being decided, has made some positive contributions but its diminishing role raises the question whether this added layer of management is still needed. Concomitant with that is the fact that extricating UNOPS from its "parents", UNDP and the United Nations Secretariat, would give it a more independent and neutral face in the eyes of other United Nations system organizations.

8. The Users Advisory Group (UAG) has not left much of an imprint, but the basic idea behind its creation is more valid than ever, i.e. to ensure that UNOPS is fully aware of the concerns of United Nations system organizations and others who utilize its services. A more active UAG would also increase the awareness of the United Nations system organizations regarding UNOPS role and services.

B. United Nations system organizations

1. With its current status as a separate and identifiable entity, the new UNOPS relationship with UNDP has changed drastically from the time when it was a division within UNDP. In the words of one United Nations official, they are like Siamese twins depending upon each other for different kinds of services. UNDP depends on UNOPS to execute a large portion of its projects and UNOPS depends on UNDP for the major portion of its income as well as for administrative and financial services.

2 The United Nations Secretariat and entities under its purview, including DPA, UNHCR, OHCHR and others, are increasingly using the services of UNOPS. Some of the reasons given were: timely delivery, flexibility in adapting practices and procedures, no threat to the identity of partners and high quality results. However, a problem concerning modalities for transferring funds from the United Nations Secretariat to UNOPS persists in spite of recommendations in this regard by the Executive Board of UNDP/UNFPA.

3. A number of Specialized Agencies, e.g. ILO and WHO, are also using the services of UNOPS, although to a lesser extent and particularly with regard to emergency situations and/or work in war-torn societies.

4. Debate is underway, although not being actively pursued, within a number of United Nations organizations such as FAO, ILO, UNESCO and UNIDO on whether, how and to what extent to use the services of the new UNOPS.

C. Member States

1. Member States take an interest in the work and activities of UNOPS, especially at meetings of the UNDP/UNFPA Executive Board. Although there is consensus among member countries regarding UNOPS achievements, especially in financial terms, there is a need for more active involvement of Member States in the governance of UNOPS than is possible by considering UNOPS issues in the time allocated within the UNDP segment of Executive Board meetings.

2. Member countries are happy to note that UNOPS is self-financing. A number of them would like to see more attention given to the role of UNOPS in development and capacity-building.

3. A number of countries, especially developing countries, would like to see an increasing share for the developing countries in the areas of procurement of goods and services as well as consulting firms and consultants (see also Conclusion A.6 above).

D. Impact on reform

1. The favourable reaction received by UNOPS is due largely to its record for the timely delivery of services and achieving good results to the satisfaction of its clients. This has been particularly evident in its response to demands under emergency situations. One key element in its success has been its ability to adapt its practices and procedures in a business-like manner.

2. UNOPS experience in the area of procurement and its "dedicated procurement regime" could be of special value to the United Nations system. Its accomplishments in this area have been recognised as indicated by its chairing of the Working Group on Common Services for Procurement which includes representatives from the UN Secretariat and from funds and programmes. The group coordinates its activities with the Inter-Agency Procurement Working Group (IAPWG) which includes procurement officials from all UN Specialized Agencies.

RECOMMENDATIONS

A. Recommendations addressed to UNOPS

1. Taking advantage of its role as a separate, identifiable and self-financing entity and its niche as a provider of project services without substantive mandate, UNOPS should give priority to partnership with the United Nations system organizations, and should actively seek,

identify and use the expertise in these organizations (paras. 85 - 91 and 109 -116).

2. UNOPS should further intensify its efforts to diversify its sources of income and its clients (paras. 85 -91).

3. Further possible decentralization of offices should continue to pass the tests of assuring a critical mass of projects in a designated area sufficient to be self-financing. In this connection, UNOPS has to address the problems and issues raised in A.5 above, especially with regard to coordination and communication among the different decentralized offices and Headquarters (paras. 35 and 62).

4. UNOPS should continue to take advantage of the UNDP field network and avail itself primarily of the administrative and financial services rendered by UNDP, provided it is satisfied that the services it gets are cost-effective (paras. 14, 15 and 21).

5. The Executive Director should formulate a policy for a concerted and sustainable effort by UNOPS to achieve more equitable distribution among sources of procurement and contracting for goods and services, including services of consulting firms and consultants, with special attention given to sources from developing countries, countries with economies in transition and major underutilized donor countries. Over and above what is provided in its web-site, which may not be readily available, especially to a great number of developing countries, UNOPS should:

(i) issue on a periodical and timely basis a list of required equipment, goods and services;
(ii) plan customized training workshops for representatives of developing countries on procurement, and
(iii) collect and update information of available goods and equipment as well as consulting firms and consultants from developing countries

(paras. 41 - 55).

B. Recommendations addressed to United Nations organizations and agencies

1. The Secretary-General of the United Nations

(a) should consider the discontinuation of the Management Coordination Committee (MCC) which, having served its purpose in the transitional period, is now, as expressed by ACABQ, an unnecessary layer of management, especially since the Executive Director reports directly to the Executive Board which exercises oversight functions (paras. 25 - 29);

(b) should in close cooperation with UNOPS, propose and put into effect modalities for the timely transfer of funds to UNOPS, as had been recommended by the Executive Board (para. 90).

2. The Secretary-General, as Chairman of the ACC, drawing on the suggestions in Chapter III and in particular paragraphs 109 to 116, should issue a report to the 55th session of the United Nations General Assembly on specific measures for enhancing cooperation between the United Nations system organizations and UNOPS reflecting a more effective division of labour by making better use of the United Nations system organizations including their substantive and technical expertise and UNOPS as a provider of project services (paras. 109 - 116).

C. Recommendations addressed to the Executive Board

1. The Executive Board should assign a separate segment of its sessions for UNOPS in order to (a) give Member Countries more opportunity to deliberate on UNOPS activities and (b) increase its acceptability to other United Nations organizations and agencies as a partner for servicing projects by strengthening its character as a separate and identifiable entity no longer directly managed by UNDP and the United Nations Secretariat (paras. 22 - 24).

2. The interaction between UNOPS and other United Nations system organizations, which is the main raison d'être behind the creation of the UAG, should continue in a different form. The Board should discontinue the UAG and recommend to the Secretary-General, in his capacity as Chairman of ACC, to invite UNOPS to serve as a member of CCPOQ in addition to its present membership in CCAQ (FB). This will ensure interaction between UNOPS and the United Nations system organizations in a more cost-effective manner. The Executive Director of UNOPS may participate, when needed, in ACC meetings (paras. 30 - 33).

D. Recommendations on Impact and Reform

1. UNOPS should make its experience in adapting practices and procedures and in developing different approaches, procedures and methodologies for different circumstances, especially in emergency situations, more transparent and available for sharing with other United Nations organizations for possible application in their respective activities (paras. 92 - 98 and 105).

2. UNOPS should also share its experiences in the area of procurement, particularly its "dedicated procurement regime" and risk management policy, with other United Nations system organizations with a view towards contributing to more cost-effective procurement by them (paras. 41 - 55 and 74 - 75).

I. INTRODUCTION

1. The United Nations Office for Project Services (UNOPS) became operational as a self-financing, separate and identifiable entity, although not as a new agency, with effect from 1 January 1995 while remaining in partnership with the United Nations Development Programme (UNDP) and other operational entities. Administrative support for UNOPS, including that relating to financial and personnel matters, continued to be provided by UNDP Headquarters and its field network.

2. The definitive mandate of UNOPS and limitations placed on its role and scope were intended to regularize its relationship with other United Nations system organizations, including the specialized agencies, in such a way as to mitigate, at least, certain misunderstandings and mistrusts that had ensued upon the creation of the Project Execution Division within UNDP in 1973.

3. UNOPS partnerships with United Nations system organizations until recently have been very largely restricted to a limited number of "traditional partners" such as UNDP and IFAD. More recently the diversification of the UNOPS clientele has increased significantly although the new clients have been mainly from the United Nations Secretariat and entities under its purview. While some major Specialized Agencies have begun to work with UNOPS, such partnerships remain very limited and more proactive development of this clientele offers a significant opportunity for making more effective use of UNOPS in the United Nations system.

4. The main objective of this report is to enhance this relationship for the benefit of programme countries by promoting more effective cooperation and partnership between UNOPS and United Nations system organizations. The report advocates a sharper and more distinctive division of labour between UNOPS and other United Nations system organizations based on their respective comparative advantages, thus optimizing their complementarities. Within the framework of a United Nations system assisted project, UNOPS will provide services such as management expertise, procurement of equipment, and recruitment of consultants and consulting firms, and the agencies will provide expertise in their respective substantive sectors.

5. UNOPS would therefore actively seek, identify and use the expertise prevalent in the United Nations system organizations, and in particular, the specialized agencies. On their part, the United Nations system organizations, especially those who have not done so, would make more use of UNOPS for providing project services.

6. However, partnership in developmental efforts for the benefit of the programme countries should not be limited to UNOPS and the United Nations system organizations. Both should have to compete with other actors, including those outside the United Nations system, such as non-governmental organizations (NGOs) and the private sector. Such competition would encourage continuing efforts to improve the quality and cost-effectiveness of the United Nations system development activities.

7. To contribute towards this goal, the Inspectors thought it would be useful to examine and explain the new UNOPS, its evolving mandate, structure and functions and the key features that distinguish it from other United Nations system organizations. Chapter II deals with those issues. Chapter III deals with means for enhancing cooperation and complementarities through an examination of experiences gained so far in diversifying UNOPS clientele with emphasis on the diversity of approaches UNOPS adopts under different circumstances and for different subjects. The same chapter also traces the evolving relationships between UNOPS and other United Nations system organizations, which have led to a partnership in which UNOPS is a provider of project services and the United Nations system organizations are providers of expertise.

8. In the course of the preparation of this report the Inspectors met with representatives of Member States and officials from UNOPS and a number of United Nations system organizations, who provided valuable ideas, suggestions and information. The Inspectors are grateful to all of them.

II. A NEW UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

A. Background

9. The Project Execution Division (PED), the predecessor of UNOPS, was established by the United Nations Development Programme (UNDP) in 1973. It was responsible for all UNDP-executed projects including, inter alia, the following types: (i) interdisciplinary and multi-purpose projects; (ii) projects which did not fall within the competence of any individual agency; and (iii) individual projects which required general management and direction rather than expert sectoral guidance.[1] In 1975 the Project Execution Division was renamed the Office for Projects Execution (OPE), without any change in its objective and function.

10. The scope of OPE was enlarged in 1983 following Governing Council decision 83/5 which authorized UNDP to offer management and other support services to governments.

11. In 1988, the Governing Council, in decision 88/11, took note of the Administrator's decision to rename OPE as the Office for Project Services (OPS). "The rationale for this change ... was that the previous designation did not adequately reflect the distinction between the management and service-oriented nature of OPE on the one hand, and the technical emphasis of project execution by the specialized agencies on the other".[2] By that time OPE had evolved into a structure that was providing more than US$200 million worth of project services on behalf of not only UNDP but also more than 10 other partners/customers including the International Fund for Agricultural Development (IFAD), the World Bank and donor countries.

12. In 1992, the United Nations Secretary-General, in his Note A/47/753 of 3 December 1992 on Restructuring and Revitalization of the United Nations in the Economic, Social and Related Fields, proposed to merge OPS and the then recently created Department for Development Support and Management Services (DDSMS) in the United Nations Secretariat. The reasoning behind the proposal was (i) to eliminate the conflict inherent in UNDP exercising coordination responsibility in relation to the operational activities of the System while retaining, through OPS, its own implementation capacity and (ii) to eliminate the existing duplication between OPS and DDSMS in the implementation of project services.

13. Such conflicts and other issues were the subject of an earlier Joint Inspection Unit (JIU) review of OPE (JIU/REP/83/9) (see para 99).

B. Establishment of the New UNOPS

14. The Executive Board of UNDP, on 9 June 1994, adopted decision 94/12. Paragraph 5 provided that the Board:

"5. Recommends to the General Assembly that, instead of the merger proposed in Governing Council decision 93/42 of 18 June 1993, the Office for Project Services should become a separate and identifiable entity in a form that does not create a new agency and in partnership with the United Nations Development Programme and other operational entities, whose administrative support, including that relating to financial and personnel matters, will continue to be provided by UNDP and that the Office should continue to work through the UNDP field network."

15. This decision was subsequently endorsed by ECOSOC and the United Nations General Assembly, and the new UNOPS became formally operational effective 1 January 1995 by decision 94/32 of the UNDP Executive Board of 10 October 1994 which authorized the Administrator and the Executive Director to establish a self-financing, separate and identifiable entity. At the same time, it endorsed the establishment of the Management Coordination Committee (MCC) and the Users Advisory Group (UAG).

C. The Objective and Scope of the New UNOPS

16. The objective of UNOPS as enunciated in DP/1995/6 of 22 November 1994 "is to provide high-quality, timely, and cost-effective development services for the successful implementation of projects undertaken by United Nations Member States".

17. The scope of UNOPS is derived from the changing demands of its clients and from the service needs of the projects it supports.

18. UNOPS clients include:

(a) Recipient Governments, as beneficiaries of international development cooperation;

(b) Funding sources, including any United Nations fund and/or programme such as UNDP and IFAD; and, acting through an organization of the United Nations system, international financial institutions, recipient Governments, donor Governments, or non-governmental organizations (NGOs); and

(c) United Nations system organizations making use of UNOPS services in their implementation of projects, or parts of projects, for which they are responsible.

19. UNOPS services include:

"(a) Comprehensive project management, including contracting for technical expertise and backstopping;

(b) Implementation of components of projects under execution by other organizations of the United Nations system or by national institutions;

(c) Project supervision and loan administration on behalf of international financial institutions; and

(d) Management services for multilateral, bilateral and beneficiary-financed projects."[3]

20. It is important to note what UNOPS is and what it is not. It is a separate and identifiable United Nations entity but not a separate agency. It is self-financing and derives its income from services provided but is not a funding organization. It provides services and inputs to projects under the umbrella of a United Nations system organization (the project approach) but has no substantive mandate in any sector. It continues to obtain administrative and financial services mainly from UNDP. It aspires to and works towards a more effective division of labour and complementarity within the United Nations system where it would concentrate on provision of project services, including management and procurement, and where the United Nations organizations and specialized agencies would increasingly be houses of expertise in their substantive sectors.

21. Administrative services provided by UNDP continued to receive special attention by ACABQ. In its report, DP/1446/38 of 6 August 1996, on UNOPS revised budget estimates for the biennium 1996-1997, ACABQ recalled "that it had pointed out that UNOPS should receive the best value for money for the administrative services provided by UNDP .... DP/1995/45, paragraph 13)".

D. Governance and Management of UNOPS

22. UNOPS is governed by the UNDP/UNFPA Executive Board. Since 1 January 1995, the Executive Director has reported separately and directly to the Board instead of through the UNDP Administrator. The UNOPS agenda item is part of the UNDP segment.

23. Member Countries are appreciative of UNOPS application of the self-financing principle, its portfolio acquisition and rate of delivery. They continue to urge UNOPS management to further diversify their sources of income and clients. Some representatives, especially those from developing countries, countries with economies in transition and underutilized major donor countries, would like to see an increasing share for their respective countries in the areas of procurement of goods and services, and consulting firms and consultants.

24. In view of the growing portfolio of UNOPS and its activities, and bearing in mind potential diversification and the growing interest of Member Countries in UNOPS activities and approaches, the Inspectors recommend that the Executive Board considers assigning a separate segment of its sessions for UNOPS in order to give Member Countries more opportunity to deliberate on UNOPS activities. This will also increase its acceptability to other United Nations system organizations as a partner available for servicing projects by formalizing its character as a separate and identifiable entity, no longer directly managed by UNDP and the United Nations Secretariat. This also would be in line with other conclusions and recommendations arrived at by the Inspectors.

25. The Management Coordination Committee (MCC) concurrently established with UNOPS on 1 January 1995, to assist the Secretary-General in his management capacity, is chaired by the UNDP Administrator, the other two members being the Under-Secretary-General, Department of Management (DM) and the Under-Secretary-General, Department of Economic and Social Affairs (DESA). The Executive Director of UNOPS is Secretary of the MCC.

26. As described in DP/1994/61 of 19 August 1994 "the objective of the MCC is to maintain and strengthen the functioning of UNOPS as a self-financing entity working in a business-like manner". It "should provide policy and management directives in the functioning of UNOPS, including the setting of operational policy, facilities and monitoring of compliance".[4]

27. The MCC has dealt with a host of issues needing guidance and clearance before being submitted to the Executive Board. These have included business plans, procurement and contracting, information systems, risk management, relationship and agreements with United Nations entities and diversification of clienteles, and UNOPS reorganization efforts including the integrated team approach and decentralization.

28. The MCC was created at a time when UNOPS future was being decided. It was foreseen as a compromise solution for management purposes where UNDP and the United Nations Secretariat would be collectively involved in UNOPS management instead of keeping it as part of UNDP or merging it within the Secretariat. Judging from its meetings and results, MCC has to a certain extent made some positive contributions. However, it seems that its role is diminishing, which raises the question whether this added layer of management is still needed. Moreover, extricating UNOPS from its "parents", the UNDP and the United Nations Secretariat, would give it a more independent and neutral face in the eyes of other United Nations system organizations and encourage more interaction.

29. The Inspectors are reminded of ACABQ's observation on this matter:

"With regard to the functions of the MCC, the Advisory Committee notes that the functions include 'establishing a proper oversight mechanism that will enable the Secretary-General to evaluate the responsiveness, performance, and effectiveness of the new Office of Project Services' (DP/1994/61, para. 7). The Advisory Committee is of the view that the establishment of another supervisory body, such as the MCC, might create an unnecessary and perhaps cumbersome reporting mechanism that may in some instances overlap with the supervisory role of the Executive Board."[5]

30. The Users Advisory Group (UAG) was established in 1994, by decision 94/12 of the Executive Board as proposed by the Secretary-General with "the possibility of ensuring that OPS is fully aware of the concerns of United Nations Organizations and others who utilize its services and of making appropriate recommendations."

31. The Executive Director's report (DP/1994/62/Add.1) complemented the above responsibility and indicated that the UAG would provide feedback on the quality, effectiveness and responsiveness of UNOPS services and promote the dissemination of lessons learned and new approaches developed.[6]

32. The UAG is chaired by the Under-Secretary-General, DESA. Since its inception, it has met only once in 1996. In his presentation to the MCC meeting of 15 July 1996, the Chairman of the UAG reported a high level of participation (33 participants representing 26 organizations). The focus of the discussion was on the services provided by UNOPS and the need for effective inter-agency cooperation at the operational level.

33. The Inspectors believe that the rationale behind the creation of the UAG is still valid. However, judging from experience so far, new mechanisms and channels have to be investigated to have a better and more effective interaction between UNOPS and its partners. One way is to make use of the ACC and its machinery, especially since UNOPS has recently become a participant in the Consultative Committee on Administrative Questions (Financial and Budgetary), CCAQ(FB) and a member of the Information Systems Coordination Committee (ISCC). It should also participate in the Consultative Committee on Programme and Operational Questions (CCPOQ). It follows that UNOPS Executive Director may participate in the ACC meetings as needed.

E. The Evolving Structure and Functions of UNOPS

34. The UNOPS Organigram, as shown in the Annex, depicts the latest status of the different divisions, sections, and decentralized offices in UNOPS and their interrelationship.

35. While the organigram is more or less self-explanatory, a number of observations are warranted:

1. The principal elements behind the present structure and functions include:

(a) a UNOPS that draws its principles and values from the Charter of the United Nations and its operational methodologies from the world of international business;

(b) an entity which is self-financing, including divisions or outposted offices within that entity;

(c) an organization built around "full function integrated operations teams" and hence the adoption of the integrated teams approach where operations on one hand and support services on the other are brought together as

one team in the different operational divisions or outposts;

(d) a decentralized entity with delegation of authority. Decentralized offices are structured around: geographical bases, e.g., Kuala Lumpur and Abidjan; thematic bases, e.g., Rehabilitation and Social Sustainability (RESS), Geneva; and implementation modality, e.g., Procurement Projects Division, Copenhagen.

2. The present structure is built upon operational and non-operational functions:

(a) The Operations Functions are carried out by nine operational divisions and one section, five of which are geographically based (Asia Office in Kuala Lumpur; Western Asia, Arab States and Europe (WAASE), New York; Africa, New York; Abidjan Office; and Latin America and the Caribbean (LAC), New York), three of which are thematic (IFAD, Environmental Programme, and Rehabilitation and Social Sustainability - "RESS" - Divisions), and two of which are based on types of implementation modality (Procurement Projects, and Fellowships and Training Section). These divisions and outposts apply the integrated team approach and benefit from the support of the non-operations divisions.

(b) Non-operations Functions are carried out by (i) the Finance, Control and Administration Division with three service sections covering Purchasing Support, Human Resources Management, and Finance and Budget, (ii) the Policy and Contracts Division, (iii) the Planning and Public Information Division, and (iv) the Information Technology/Information Systems Division. These support divisions provide quality assurance, standard setting, risk management, "best practices" functions, information systems and office automation support to the operations divisions listed in paragraph 2(a) above. They also provide a checks and balances mechanism that is fundamental to the provision of good management.

F. UNOPS Key Features

36. The special features of UNOPS mainly stem from its mandate as a self-financing entity and its ability to adapt practices and procedures to serve its client needs. The Financial Regulations, approved by the Executive Board by Decision 95/1 of 10 January 1995, establish and/or reconfirm a number of constitutional elements of UNOPS, such as the Executive Director's accountability for UNOPS activities to the Executive Board and to the Secretary-General (Regulation 3.1); the range and principal modalities of UNOPS activities as determined by policy decisions of the Executive Board (Regulations 5.1 to 5.5); and a certain degree of flexibility authorizing the Executive Director, subject to certain conditions, to incur unforeseen personnel and related administrative expenditures against unspent and/or projected income (Regulation 7.5) and his responsibility for procurement issues (Regulation 10.5). Although Regulation 10.1 authorizes the Executive Director to establish UNOPS financial rules, UNOPS has chosen to apply UNDP financial rules mutatis mutandis pending the results of an ongoing UNDP revision of its own Financial Regulations and Rules, to which the UNOPS Financial Regulations and Rules are an annex. The key features of UNOPS are discussed below:

1. Provider of Services with no Substantive Mandate

37. One of the major features that distinguishes UNOPS is its basic role as a project services provider and general contractor through the project approach with no substantive mandate. The types of services UNOPS provides are enumerated in paragraph 18 above including comprehensive project management, procurement of goods, loan administration and management services.

(a) Comprehensive Project Management

38. UNOPS offers its clients an array of specific services which can be provided to support the client's projects. It is also capable of acting in a more comprehensive manner by providing an overall project management framework in effect serving as a general contractor or systems integrator for the client. In this capacity UNOPS not only provides specific inputs, but also manages an entire project or programme. It can coordinate various inputs provided not only by itself but also those provided by subcontractors or other United Nations organizations and agencies. When acting as overall project manager UNOPS can also supervise project staff and perform all project monitoring and reporting functions.

39. UNOPS has provided this management capacity to many complex, multi-disciplinary and multi-donor programmes around the world. Examples include projects funded by the Global Environmental Facility (e.g., the Danube River Basin rehabilitation/conservation programme, the Black Sea Management and Protection Programme, the Iwokrama Rain Forest

programme in Guyana, the Sustainable Development of the Coastal Zones of Belize) and multi-donor programmes carried out in several regions under difficult conflict or post-conflict conditions (e.g., Afghanistan, Bosnia Herzegovina, Cambodia, Guatemala, Haiti, Mozambique, Somalia, Tajikistan). In each case management approaches are adapted to local requirements.

40. The Development Programme for Refugees and Displaced Persons (PRODERE) in Central America, another multi-donor and multi-disciplinary programme (see also para. 96 below) was designed to carry out simultaneously six programme components (rebuilding of production systems, of local health and education systems, of physical and social infrastructures, and of respect for Human Rights) in areas that had been severely affected by the armed conflict in six countries of Central America (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua). Decentralized decision-making and financial management were key to rapid response to requirements. UNOPS established area management teams constituted wherever possible by local personnel, as well as by international personnel when dictated by local conditions (e.g., need for impartiality in areas of tension), or by United Nations Regulations and Rules governing delegation of financial authority. To ensure coherence, a core management team, located in San Salvador, coordinated and supervised the area based management teams. The core team, accountable for programme operations at the national/sub/regional level, provided the liaison function with national authorities, pursued support by national institutions so as to strengthen local execution capacities, and was responsible for identifying, selecting, contracting and supervising all national, regional and international technical expertise required for programme implementation. All management teams were UNOPS personnel, and financial and implementation authority was delegated to them. Implementation of PRODERE required active participation by Agencies of the United Nations system (ILO, PAHO-WHO, UNHCR), and the technical personnel mobilized by these Agencies were an integral part of the management teams.

(b) Procurement and Contracting of Goods, Works and Services

41. Contracting and goods procurement represented a large proportion of its delivery (an average of 64 per cent of total delivery in 1996/1997), and an important source of income (approximately 55 per cent of income from project implementation for 1996/1997). It therefore received particular attention during the reorganization period.

42. UNOPS established a "dedicated procurement regime" "to provide the highest degree of quality and efficiency for project execution in the United Nations ..."[7]

43. "Although UNOPS maintains some of the traditional administrative mechanisms for procurement under the United Nations financial regulations and rules, these approaches have been specifically adapted to UNOPS operating environment to increase value and responsiveness to client needs. While advantages are achieved in securing lower prices for goods, works and services, the most significant consequence is an increase in the value received for those prices."[8]

44. The procurement function is no longer limited to the specialized procurement division recently relocated from New York to Copenhagen. Through a process of decentralization, procurement has also been delegated to field personnel. In addition, Headquarters' integrated teams maintain a procurement capacity for certain standardized international project inputs or where Headquarters action is required.

45. Within the integrated team approach, Portfolio Management Officers in the operational divisions and decentralized offices have team members who are support personnel responsible for procurement, personnel, legal questions and financial administration. "This support also includes the most thorough procurement training offered in the United Nations common system"[9] which has recently been offered for staff from other United Nations organizations.

46. UNOPS procurement is based on the general principle of international competitive bidding according to detailed procedures available to all personnel through an electronic handbook. The handbook contains all policy and regulatory information, forms and model documents.

47. UNOPS also has a formal risk management policy that continually defines and reviews risks associated with its project execution activities. It relies upon a range of risk management tools including specialized procurement approaches, contract terms and conditions, insurance and funded self-insurance, as well as dispute resolution techniques.

48. For special developmental needs and in emergency situations, UNOPS has adopted different approaches to meet demands in a timely fashion. Some are discussed in Chapter III below.

49. A standing Procurement and Review Advisory Committee (PRAC) meets at least once a week to evaluate the procurement process for all proposed expenditures over US$100,000. PRAC procedures require Operations Divisions to prepare and maintain audit able records of the procurement process which are reviewed by PRAC prior to the award of such contracts. The PRAC then makes its recommendation to the Chief Procurement Officer (the Executive Director) for the award of any contract in the same week.

50. Recently UNOPS and the Inter-Agency Procurement Services Office (IAPSO), also located in Copenhagen, as is the case of UNOPS Procurement Project Division, have agreed to provide "joint procurement services" on a complementary and division of labour basis. UNOPS refers requests for standard catalogue items to IAPSO, except in cases where the quantity involved would warrant a separate tender. UNOPS delivery in equipment for 1997 was US$179 million, of which US$110 million was handled by Copenhagen while the Copenhagen Nordic funds delivery was US$3.5 million. IAPSO delivery was US$61 million. It should be noted that Copenhagen is also the seat of separate procurement facilities for UNICEF (drugs, pharmaceuticals, office equipment and vehicles) and WHO (procurement for projects in the European region). Having all these procurement facilities in one location may call for further exploration with a view to joint operations.

51. The Report of the Board of Auditors to the General Assembly on the Accounts of UNOPS for the biennium ending 31 December 1997 deals inter alia with management issues including procurement. It raises a number of questions regarding the handbook on procurement procedures, its finalization and application; ensuring the drawing up of a procurement plan for each project detailing items to be purchased and indicating a likely timetable for action as well as questions related to the recruitment and evaluation of international consultants which should be rigorously followed. UNOPS in turn had acknowledged, redressed or promised to take corrective measures.

52. Without prejudice to the technical details in the application of the financial rules and regulations, the Inspectors continue to raise the question which was brought up in a number of previous JIU reports, when dealing with activities related to emergency situations, as to whether the "rigid" financial rules and regulations should be revised to serve the beneficiaries in a timely fashion but with proper checks and balances.

53. Table 1 below shows the value of contracts for services and works signed by UNOPS with commercial firms and contractors.

Table 1: Value of services and works in per cent

	1994	1995	1996	1997
Steadily increasing for donor countries	16.7	21.5	23.8	43.4
Variably changing for UMDC	3.5	2.1	6.8	5.7
Constantly decreasing for developing countries	79.8	76.4	69.5	50.9

UMDC underutilized major donor countries

54. The sources of procurement, especially that of equipment, continue to be of major concern to Member States where the share of international procurement, especially of the developing countries (about 25 per cent in 1997), is decreasing and tilted in favour of a few developed countries (for details see Annex tables 1 and 2). UNOPS recognizes this recurrent issue to assure best value for projects and encourages Member Countries to make known their capacities and to consult the UNOPS web-site (www.unops.org) and register as suppliers.

55. However, and in view of the lack of Internet connectivity in a great number of developing countries, UNOPS is urged actively to disseminate periodically such information in non-electronic form to Member Countries. This would be in line with the United Nations General Assembly resolution A/RES/52/226 of 27 April 1998 on Procurement Reform and Outsourcing where paragraph 13 reads:

"13. Requests the Secretary General to take all possible measures to increase procurement from developing countries and countries with economies in transition ...."

(c) Loan Administration and Supervision

56. One of the major services UNOPS provides is in the area of loan administration and supervision and this is mainly to the International Fund for Agricultural Development (IFAD).

57. In the 1970s, administration and supervision of IFAD's loans (which until recently were outside of IFAD's mandate) were left to sister international financing institutions such as the World Bank and regional development banks. In the 1980s there was less co-financing and an increase in IFAD-initiated projects which were exclusively financed by IFAD. These projects, which most clearly reflect IFAD's mandate and specificity in terms of implementation strategies, target group orientation, and focus on beneficiary participation, were mostly assigned to UNOPS.

58. Out of 124 IFAD/UNOPS fully operational projects, 60 are supervised by the IFAD Division of UNOPS in New York and its outpost in Nairobi, and 64 by the UNOPS offices in Kuala Lumpur and Abidjan. In money terms they correspond to a multi-year total value of $1.6 billion out of a total UNOPS project portfolio of $3 billion.

59. Within the project cycle, UNOPS assumes its responsibilities once a loan is approved by IFAD's Executive Board and it receives from IFAD a "Letter of Appointment". The initial steps of project implementation support include the issuance by UNOPS of a "Letter to the Borrower" (LTB) and the organization of a "start-up workshop" in the recipient country (usually in the project area) in which involved government agencies, IFAD and UNOPS participate. From that point on, IFAD requests the government to deal directly with UNOPS, whose tasks include:

(i) administration of loan;
(ii) implementation and procurement support; and
(iii) supervision of project.

60. UNOPS charges a fixed amount of $44,050 per project per year which includes $9,500 for consultants and $5,000 for staff travel.

61. In 1997 and for the first time, IFAD has been authorized by its Governing Council to supervise 15 of its projects and administer the associated loans, as a pilot experiment. IFAD management subsequently decided to restrict its involvement to project supervision and to entrust UNOPS with the administration of the loans for the 15 pilot projects. This experiment should not affect the bulk of IFAD/UNOPS cooperation where UNOPS continues to both administer loans and supervise projects. It will, however, give IFAD insight into how projects are supervised and thus allow a better assessment of UNOPS role.

62. The partnership of UNOPS/IFAD in support of the programme countries has benefited from having a dedicated division for IFAD within UNOPS, New York and dedicated staff for those projects handled by UNOPS decentralized offices. Following IFAD's request, negotiations are underway with FAO (and through FAO with the Italian Government) to partially relocate the IFAD division to Rome (particularly the loan administration unit that will be providing services for the 15 projects to be directly supervised by IFAD). The proximity to IFAD will have beneficial effects. Decentralization, a policy actively supported by IFAD for more efficiency and cost saving, had also the benefit of making the operation of outposts more demand-driven and responsive to regional and sub-regional needs. However, the decentralization of IFAD's portfolio to a number of outposts, in contrast to a single dedicated division, requires added vigilance to ensure common policies in project management and implementation. Decentralization and the added channels of communication, should not be allowed to blur or undermine a common approach. What is needed is the establishment of a mechanism and adoption of a process to enable inter-outpost cross-fertilization of ideas and transfer of knowledge on best practices and lessons learnt.

(d) Management Services

63. These are regulated through a Management Services Agreement (MSA), a modality by which UNOPS acts as an agent on behalf of countries that are recipients of loans from international financial institutions such as IFAD, the World Bank and regional banks and funds, or of grants from bilateral donors.

64. In the case of projects financed by non-United Nations entities such as international financial institutions and bilateral donors, UNOPS provides the required management services to the borrower or grant recipient through a United Nations organization (to-date primarily UNDP). Sixty six countries have utilized UNOPS implementation services under MSAs worth over US$1.5 billion.

65. UNOPS management, procurement and administrative services under MSAs have assisted national governments in the timely utilization of loan funds and implementation of development activities. In 1997 these included:

contracting for services and works in Argentina ($156.4 million); expertise and training for administration reform in Bolivia ($46.9 million); public works in Ecuador ($68.5 million); procuring goods for Kyrgyzstan ($1.2 million); procuring equipment for Peru ($162.5 million); providing engineering services and building infrastructure in Sudan ($90 million); managing services for health in Turkey ($91.9 million) and management services in Uganda ($24.6 million). The sources of funds for these activities were from the World Bank; regional banks such as the Inter-American Development Bank; bilateral donors and the governments involved. The projects usually run for a number of years.[10]

2. UNOPS: A Self-Financing Entity

66. The principle of self-financing constitutes one of the main features of UNOPS that distinguishes it from other United Nations system organizations. This principle "requires UNOPS to generate enough income to cover all administrative expenses and to maintain the operational reserve at the prescribed level".[11]

67. Table 2 below shows the different types of UNOPS income and growth therein.

Table 2: Types of Income and Growth
(In millions of US$)

	1995	1996	1997
a) Income from project execution	26.6	31.7	35.0
b) Income from IFAD loan administration and supervision	3.1	3.3	3.6
c) Income from interest and others	0.7	3.3*	1.8
Total	30.4	38.3	40.4

* Includes one-time contributions from Denmark and Switzerland towards costs of office relocations.

68. The largest portion of income (86.6 per cent in 1997) has been generated by project execution. Owing to the strong increase in demand for services from UNDP in 1997, the share of income generated from UNDP funds has increased from 81 per cent in 1996 to 84 per cent in 1997.[12]

69. One of the growing sources of income for UNOPS stems from its support to projects of National Execution (NEX) where there has been a marked growth.

70. The net income for the years 1995, 1996 and 1997 is shown in table 3 below.

Table 3: Net Income
(In millions of US$)

	1995	1996	1997
Income	30.4	38.3	40.4
Expenditures	27.7	33.7	36.6
Replenishments of the operational reserve	2.7	4.6	2.4
Net income	0	0	1.4

71. Fees charged by UNOPS do not follow a standard fixed rate but vary from one client to another in accordance with agreements reached for different kinds of services rendered. UNOPS charges up to 10 per cent of Administrative Operation Services (AOS) for UNDP core funded projects. UNDP administered funds are charged in the range of 5 per cent to 8 per cent. IFAD is charged $44,050 per project per year. The Programme of Assistance to the Palestinian People (Accounting Services) was charged $100,000 for 1994-1995 and $150,000 for 1996-1997. MSA fee calculations are done on a dollar amount basis, with differentiations made between MSAs for services and those for goods. The average rate of charges for MSAs was 4.4 per cent in 1995 and 4.2 per cent in 1996.

72. The issues of cost assessment and fee-setting were the subject of examination by the Board of Auditors[13] and were also addressed by the Executive Director of UNOPS in his report to the Executive Board (DP/1998/24 of 30 March 1998).

73. It must be noted that the principle of self-financing is applicable not only to UNOPS as a whole, but also to its component parts, be they divisions in New York or decentralized offices. Before a decentralized office is established, UNOPS makes sure that there is a critical mass of projects justifying such a move to ensure that it will be self-financing. The size of UNOPS and its component parts grows or shrinks accordingly.

74. In response to, and in dialogue with, the Executive Board and the ACABQ, UNOPS

presented proposals for risk management, reserves and surplus income in 1997. This included a protection system for UNOPS and its clients with risk management mechanisms and an operational reserve. Since UNOPS is a non-profit organization the decision was to keep the reserve at a reasonable level. Paragraph 2 of Decision 97/21 of 18 September 1997 of the Executive Board reads that the Board:

"2. Decides to establish the level of the operational reserve of the United Nations Office for Project Services at 4 per cent of the combined expenditure on administrative and project budgets of the previous year, and to transfer unspent income to the reserve account until such a level is reached."

75. The risk management strategy seeks to ensure that the operational reserve serves as the mechanism of last resort. To minimize any potential drawdowns on the reserve, UNOPS Policy and Contracts Division focuses attention on potential claims resulting from contracts. It regularly refines and updates the text of basic contracting instruments used by UNOPS staff. It is involved in a range of deliberations and claims in order to ensure that the interests of UNOPS and of its clients are protected. The Division has also overseen the development of the UNOPS contracting training modules that are intended to reduce potential claims by raising the level of professionalism of UNOPS contract administrators.[14]

3. UNOPS: A Business-Like Entity

76. As mentioned earlier, UNOPS prides itself that it derives its principles from the Charter of the United Nations and its operational methodologies from the world of international business. Through the exercise of reorganization it has developed and sharpened its methodologies of planning and carrying out business. The integrated team approach, decentralization, dedicated procurement regime, financial practices and procedures, risk management, and specific training are continuously monitored and, when needed, revised accordingly.

77. One of the distinctive management practices of UNOPS was the introduction and adoption of the concept of business planning. The "business plan" provides a management tool that helps build consensus on, and a common vision of trends, priorities, opportunities and challenges before the organization. It provides a framework of accountability against which ongoing activities can be managed and overseen, and performance relative to targets can be assessed.

78. The priorities established in the 1995 plan "still reflect the key UNOPS management concerns:

- Improving the quality of services;
- Building and enhancing relationship with the client community;
- Strengthening the UNOPS organization".[15]

79. In the three business plans of 1995, 1996, and 1997, UNOPS identified a number of objectives and activities that would impact on the above-mentioned management concerns. The 1995 business plan concentrated on necessary tasks to be accomplished as a new organization. The 1996 plan, benefiting from the External Auditors' comments, shifted from an overstretched number of tasks to higher order objectives.

80. The overall financial performance in 1997, including that related to business acquisitions, delivery, income, and administrative costs, came close to the targets set in the 1997 business plan.

81. For 1997 the target for business acquisition was set at $573 million; for delivery at $500 million; for income at $40.6 million and for administrative costs at $38.5 million. Overall financial performance for business acquisition was $705 million or 23 per cent over the target; $463 million for delivery, i.e., a rate of 93 per cent; for income, $40.4 million and for administrative costs, $36.6 million.

82. In non-financial terms, the 1997 plan focuses on five work areas: cost assessment and fee setting; communications policies and strategies; team-building and coordination issues; information systems; and risk management. These issues were discussed at length in the 1997 plan and reported upon in the Executive Director's report, DP/1998/24 of 30 March 1998.

83. What distinguishes the 1997 plan from the previous two is that it is based on bottom-up projections made by each UNOPS operations unit in its own unit business plan. "This bottom-up approach has not only helped to reinforce the assimilation of business planning practices into UNOPS management culture, it has also helped increase transparency with regard to the expected business acquisition, delivery, and income of each unit's portfolio."[16]

84. "While many of the tasks and objectives have either been accomplished or have been started, it is difficult to avoid the conclusion that the right equilibrium between intended results and available resources has not yet been achieved."[17]

III. TOWARDS ENHANCED COOPERATION AND COMPLEMENTARITY BETWEEN UNOPS AND OTHER UNITED NATIONS SYSTEM ORGANIZATIONS

85. Table 3 of the Annex on UNOPS portfolio acquisitions for the years 1994-1997 demonstrates that UNOPS continues to largely depend on UNDP as the main source of funds. The percentage of UNDP's total share, core and non-core funds, is 62 per cent for 1994; 50.3 per cent for 1995; 55.7 per cent for 1996, and 71 per cent for 1997.

86. While still largely dependent on UNDP for funding, the share of the different multilateral grants and loans is fluctuating. What is of special interest here is the share of other United Nations organizations (other than UNDCP, UNFPA and IFAD which have been long standing clients) which was zero in 1994 but showed remarkable increases in 1996 to $1,332,000 and in 1997 to $11,993,000 or 0.25 per cent and 1.7 per cent of the total. The trend seems to be continuing in 1998. In his statement before the Executive Board Annual Session of June 1998 the Executive Director stated:

> "Since January of this year, total new business entering the UNOPS portfolio is some 10 per cent higher than it was in 1997 and twice as much as it was two years ago in June. This includes an increase of 40 per cent in the demand for UNOPS services from new United Nations clients as compared to the same time last year. As regards new acquisition, business from new clients in the United Nations system has actually grown from $13 million in 1996 to $50 million in 1997. Our efforts to diversify our United Nations clientele are continuing in 1998."
>
> "Non-traditional United Nations client interest in using UNOPS services has grown considerably in 1997. Expressions of interest have been received from several specialized agencies, including the International Labour Organization (ILO), the Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the World Food Programme (WFP)." DP/1998/24 of 30 March 1998.

A. Diversification of UNOPS Clientele

87. Diversification of UNOPS clientele and sources of income should ensure a more stable base for the future of UNOPS. This has been of concern to Member States who continue to pay particular attention to it and urge UNOPS management to intensify its efforts towards that end.

88. UNOPS management is aware of the importance of diversification and the difficulties inherent in it. In reporting on the implementation of the 1997 business plan, UNOPS management pointed to "hurdles" and "areas where progress was slow or where unexpected difficulties were encountered".[18] One such area was diversification.

89. As indicated above, efforts to diversify have borne some fruit. However, the greater number of concrete requests in 1997 for UNOPS services was from departments of the United Nations Secretariat and other entities under its purview.[19] These include DPA, DPKO, OCHA, IDNDR, UNAIDS, UNHCR, UNOHCHR and UNRISD.

90. One specific problem between UNOPS and the United Nations Secretariat, which was subsequently reported to the Executive Board, continues unabated in spite of discussions within and recommendations by the MCC. "The absence of standard modalities for transferring funds from the United Nations Secretariat to UNOPS for the execution of activities entrusted to UNOPS has been an obstacle to further diversification. Mechanisms that would allow for the timely transfer of funds have been proposed to the United Nations Secretariat, after review in the MCC, but progress has thus far been made only on a case-by-case basis."[20] In view of MCC recommendations on this matter, the Inspectors find it difficult to understand why the problem continues unsolved. They urge the concerned officials within the United Nations Secretariat to take the necessary steps to resolve this problem urgently.

91. In spite of these difficulties and hurdles there seems to be a trend, although not significant percentage-wise in relation to total portfolio volume of increasing partnerships between UNOPS and non-traditional United Nations clients. This trend has to be encouraged especially for enhanced partnership between the specialized agencies and UNOPS.

B. Growing Partnerships: Diversity of Approaches

92. Given the increasing number of partnerships being established between UNOPS and the United Nations system organizations, there is a corresponding growth in the range of services being requested. Among the projects most recently undertaken are those dealing with issues "beyond the agenda of development", such as human rights, demining and societies in conflict or post-conflict situations. Approaches that UNOPS adopts and/or adapts to different circumstances are briefly described.

1. Human Rights

93. The Department of Political Affairs (DPA) in the United Nations Secretariat is one of UNOPS most recent new partners in a project of US$7.28 million on human rights issues in Guatemala. In this case management, logistics and procurement services were provided by UNOPS. It contracted and assembled a 200-person-strong team in little more than a month, and set up four mobile investigation teams and offices throughout the country. Monitoring and substantive reporting of the findings of the mobile teams remained the responsibility of DPA.

2. Demining

94. An agreement with the United Nations Office of the Coordinator for Humanitarian Affairs (OCHA) for the implementation of a US$3.5 million demining project in Northern Iraq, has led to the establishment by UNOPS of a Mine Action Unit which offers technical, legal and managerial expertise required by demining programmes. In addition to management services, procurement and delivery of equipment to the field, it has provided a forum for making arrangements with donor governments who wish to contribute to demining projects through the provision of experts for whom they pay salary, travel and health insurance costs, while subsistence allowance is paid by UNOPS. This kind of arrangement has the double advantage of obtaining expertise at a much lower cost and of bringing the donor countries much closer to the projects. UNOPS has administered and implemented demining activities in Angola, Azerbaijan, Bosnia and Herzegovina, Cambodia, Chad, Croatia, Iraq, the Lao People's Democratic Republic, Mozambique, Somalia and Sri Lanka. New programmes are being planned for Iran and Kosovo. The Mine Action Unit works in close collaboration with other United Nations partners in demining, such as United Nations/DPKO, UNDP and others.

3. Governance

95. In projects of a multi-disciplinary character, UNOPS provides not only the usual administrative and management services, but acts as a coordinator of all partners involved. Partners may include central government authorities, local institutions, regional governments, NGOs, community based organizations and the private sector. This role has been demonstrated in the case of the Atlas Project for Bosnia and Herzegovina which was funded by bilateral donors through UNDP and the International Decade for Natural Disaster Reduction (IDNDR) and executed by UNOPS in partnership with WHO. Over 100 cities and regions in Italy and other European countries have been involved in forging links with 20 Bosnian municipalities to promote cooperation in the areas of local administration, education, health, environment and gender equity. A similar project is being finalized in Tunisia.

4. War-Torn Societies

96. In countries stricken by war, the importance of being able to deliver services rapidly and showing results quickly, such as by repair of roads, bridges, wells or telecommunications, is the key to the approach used by UNOPS. This builds the confidence needed by stricken populations to be able to look forward to reconstruction and local development. The PRODERE programme (Development Programme for Refugees and Displaced Persons) which started in Central America is the best example of this approach. This was later extended to Cambodia, Sudan, Afghanistan and the Great Lakes Region of Africa. Funding and partnership were from UNDP, UNDCP, development banks and bilateral donors. The Enterprise Division in ILO provided technical expertise in the area of local economic development by opening business opportunities through credit facilities. A separate War-Torn Societies Project (WSP), in cooperation with UNRISD and over 20 donors, implements such projects in Guatemala, Somalia, Eritrea and Mozambique. Much the same approach applies to areas stricken by natural disasters or severe poverty.

97. In the view of UNRISD, its efficiency and that of UNOPS is "limited due to the constraints imposed by certain United Nations rules and regulations which are largely dysfunctional to work in crisis and conflict environments. This is particularly true for rigid personnel rules. The more UNOPS can be freed from strict compliance with standard United Nations regulations ... and develop its own procedures ... [with] ... adequate provision to ensure accountability, the better and

the more efficiently it will be able to perform its functions ..." Similar views were expressed by a number of interlocutors interviewed by the Inspectors.

98. In this regard, the Inspectors continue to raise a question brought up in a number of previous JIU reports concerning activities related to emergency situations. Without prejudice to the need for proper checks and balances, the Inspectors urge serious consideration be given to revising financial rules and regulations to meet the special needs of operating in emergency situations. They also urge that attention be given to the special training required in this regard.

5. The Montreal Protocol

99. Montreal Protocol (MP) funded projects assist private enterprises in various industry sectors of developing nations to convert their operations to ozone-friendly technologies. UNOPS administers all aspects of the conversion as foreseen by the respective projects, including the international procurement of equipment, recruitment of technical expertise and subcontracting entities for the undertaking of local works. UNOPS applies implementation modalities which are tailor made to the specific project needs while remaining within the organizational legal framework and financial regulations and rules. Small and Medium-size Enterprises (SMEs) are a case in point, where modalities based on economies of scale are adopted to achieve the project targets within the given budget constraints (i.e., group procurement with maximum use of local expertise, including 80 SMEs in India and others in Mexico and Malaysia.)

6. More recent partners

100. Most recently a General Operational Agreement between UNHCR and UNOPS was signed on 11 June 1998. Its objective is to facilitate the access by UNHCR, particularly in field locations, to the services offered by UNOPS. In the past UNOPS supported operations funded by UNHCR through UNDP. It also helped elaborate technical guidelines for Reintegration (Quick Impact) Projects involving post-conflict or emergency repatriation phases.

101. The "Interim Memorandum of Understanding" between the Office of the High Commissioner for Human Rights (OHCHR) and UNOPS covers the provision of implementation services including activities and programmes at Headquarters and in the field; treaty implementation; research and analysis; special initiatives and programme support. "The corresponding activities have already been initiated and the total value of funds entrusted by UNOHCHR to UNOPS already exceeds four million dollars."[21]

102. UNOPS is the second largest user of United Nations Volunteers (UNV). In 1997 there were 281 UNVs working under UNOPS-implemented projects. In addition to these volunteers, 128 TOKTEN (Transfer of knowledge through expatriate nationals) consultancies were organized as UNOPS-executed projects, up from 102 in the previous year.

C. UNOPS and the United Nations System Organizations: An Evolving Partnership

103. In Chapter II a brief description of the historical and legislative background for the new UNOPS, together with its key features, was given. Section A above showed how UNOPS sources of funds are still broadly dependent on UNDP. Section B not only gave account of new partners but also showed in practical ways how UNOPS, in different circumstances, and especially in emergency situations, was able to adapt practices and procedures to serve its clients and beneficiaries in a timely manner.

104. However, and in spite of the above inroads in growing partnerships, the overall attitudes towards UNOPS within certain specialized agencies is not uniform. There are officials who recognize that partnership with the new UNOPS would allow them to concentrate on providing technical expertise, relieving them of managerial services handled by UNOPS. Others are still sceptical and continue to see in UNOPS a competitor and "intruder". This is partly due to historical positions inherited when the predecessor of UNOPS, i.e., the Office for Projects Execution (OPE) was created as the executing arm of UNDP. This prompted concerns and fuelled rejections by most if not all specialized agencies who saw in OPE an encroachment upon and a threat to their domains of competence and their mandates.

105. A JIU report (A/39/80 or JIU/REP/83/9), "Office of Project Execution of the United Nations Development Programme (OPE)" attempted to contribute to the resolution of issues that were adversely affecting trust between UNDP and its partners. With the benefit of this report, together with the Secretary-General's comments on it (A/39/80 Add.1) in his capacity as Chairman of the ACC and after deliberations in the UNDP Governing Council, a number of conclusions were arrived at:

(i) UNDP could continue with direct execution;

(ii) more consultation and cooperation between UNDP and the specialized agencies in the spirit of consensus should be pursued; and

(iii) proven OPE procedures in subcontracting should be further examined with a view to being used by all organizations.

106. As discussed above, the attempt to merge OPS with DDSMS ended up in the creation of UNOPS as of 1 January 1995 as a separate, identifiable, and self-financing entity with links to UNDP and the United Nations Secretariat.

107. In spite of the changes in the mandate, character and approaches of UNOPS and in spite of the increasing, though limited, partnerships between UNOPS and United Nations system organizations, mixed or opposing views continue within a number of organizations, such as FAO, ILO, UNESCO and UNIDO as to whether, how and to what extent to go into partnership with UNOPS continue. These agencies raise questions as to whether UNOPS, an entity without a substantive mandate or technical expertise of its own, should be increasingly entrusted with comprehensive project management, in contrast to partial project services, in all fields of specialization that are within the mandate of specialized agencies. They wonder whether it would not be more appropriate to entrust projects to the specialized agencies who could use the services of UNOPS. The Inspectors believe that the agencies should more actively seek to develop such relationships with the new UNOPS.

108. One of the main objectives of this report is to encourage enhanced cooperation and partnership between UNOPS and the United Nations system organizations, and particularly the specialized agencies. The next section indicates the advantages of using the services of UNOPS within the United Nations system. It will also point to certain limitations of the role and mandate of UNOPS that would keep it from assuming or encroaching upon the mandates of others. Even then, the potential, as indicated in para. 6 above, for cooperation should not be limited to the United Nations system. UNOPS on the one hand, and the United Nations organizations and agencies on the other, should compete for services and partnerships with other actors including those within the private sector. Maintaining a competitive environment would help to encourage innovation and cost-effectiveness.

D. Towards More Partnerships

109. Cooperation between UNOPS and the United Nations system organizations has been limited to a number of United Nations system organizations. The potential for enhanced cooperation lies in the recognition by both sides of the comparative advantages they each have in their respective fields of specialization.

110. UNOPS has gained the trust of its traditional partners. Non-traditional partners are on the increase, but mainly among organizations under the purview of the United Nations Secretariat. A number of specialized agencies are beginning to tap the services of UNOPS, but not in a significant proportion compared to total portfolio acquisitions of UNOPS. The further diversification of clients and a higher volume of transactions is a goal to be worked for and achieved.

111. UNOPS, on its part, should make extra effort to use the expertise prevalent in the United Nations system organizations, particularly in the Specialized Agencies. The United Nations system organizations, and in this case the specialized agencies more than others, should make more use of UNOPS as a provider of project services.

112. Organizations that have opted to use UNOPS services, especially those who have more recently entered into agreements or memoranda of understanding, cite a number of reasons for having done so:

(i) timeliness: UNOPS has been able to deliver services required in a timely fashion;

(ii) flexibility: timeliness partly results from the flexible approaches UNOPS adopts, doing away with bureaucratic procedures and simplifying application of practices and procedures that are usually the mark of other United Nations system organizations and which constitute a major target for reform processes throughout the United Nations system;

(iii) quality: while measuring quality is outside the scope of this report, the Inspectors were left with the conclusion through feedback from partners that clients are satisfied with the quality of services rendered by UNOPS;

(iv) cost-effectiveness: the timeliness and quality of UNOPS services contribute to their cost-effectiveness. UNOPS charges and fees are usually less than

those of other United Nations organizations;

(v) risk management: reduction of management and financial risks is an integral part of UNOPS services to its clients;

(vi) impartiality: since UNOPS does not have a substantive mandate and is in the business of providing services, it is not seen as a threat to the identity of its partners and their ownership of programmes and projects; and

(vii) competitive spirit: UNOPS does not take things for granted in the sense that it is entitled to its share of the cake. It has to compete for it. This is a spirit ingrained in the UNOPS staff by their observation of the principle of self-financing.

113. In the Inspectors' view, the commitment of UNOPS staff to its mission, their corporate spirit and their dedication to its success have contributed to the results achieved and the way UNOPS is perceived by its partners.

114. On their part, the United Nations system organizations are urged to follow more proactive steps towards enhanced cooperation with UNOPS. In this connection, the Inspectors would refer to the following factors that should encourage such an orientation:

(i) the new UNOPS is not the same as its predecessor, the UNDP Division of Project Execution. Its non-substantive mandate means it cannot constitute a threat to the mandates of specialized agencies;

(ii) the agencies and other United Nations organizations may benefit from certain methodologies and/or procedural innovations and approaches adopted and practised by UNOPS, such as those referred to in Chapters II and III above;

(iii) the agencies have built up, in their respective fields, a wealth of experience and expertise which could be made more effective for strengthening developmental efforts when combined with the services provided by UNOPS;

(iv) the agencies' partnerships with UNOPS would reinforce its character as a United Nations entity;

115. With an increase in its partners, the UNOPS portfolio would grow and increased income could be expected. As UNOPS income grows, economies of scale in providing UNOPS services should allow for reducing the fees UNOPS charges its partners. This would release more resources for development efforts.

116. UNOPS 1996 business plan suggests "that there is a place in the United Nations for an organization which has to earn its livelihood by showing -- day in and day out-- that it is providing something of value. UNOPS considers that it must evidence a grasp of the principles of the private sector – of demonstrating worth and value in a competitive environment – while upholding the principles on which the United Nations was established. This is a unique niche from which unique services can be rendered".

NOTES

1. "UNDP Report to the Governing Council, 16th session", E/5365/rev.1, June 1973.

2. "Report of the Administrator and the Executive Director on the scope and objectives for the United Nations Office for Project Services", DP/1995/6, of 22 November 1994, para. 8.

3. Ibid., para. 12.

4. "Report of the Administrator on the precise role and functions of the UNOPS Management Coordination Committee", DP/1994/61 of 19 August 1994, para. 3.

5. "Report of the Advisory Committee on Administrative and Budgetary Questions on the role and functions of the UNOPS Management Coordination Committee and Report of the Executive Director on ways of establishing the office as a separate and identifiable entity", DP/1994/57, para. 15.

6. "Report of the Executive Director of the Office for Project Services on ways of establishing the office as a separate and identifiable entity: UNOPS Users Advisory Group: role, composition and functions", DP/1994/62/Add.1 of 18 August 1994.

7. The UNOPS Dedicated Procurement Regime, a paper produced by UNOPS at the request of JIU.

8. Ibid.

9. Ibid.

10. Tools for Development, a UNOPS publication.

11. "Annual Report of the Executive Director on the Activities of UNOPS", DP/1998/24 of 30 March 1998, para. 11.

12. UNOPS Business Plan 1998.

13. "Report of the Board of Auditors", A/51/5/Add.10, New York, 1996.

14. Op. cit., DP/1998/24, paras. 30-33.

15. UNOPS Business Plan 1997.

16. Ibid.

17. Ibid.

18. Op. cit., DP/1998/24, para. 51.

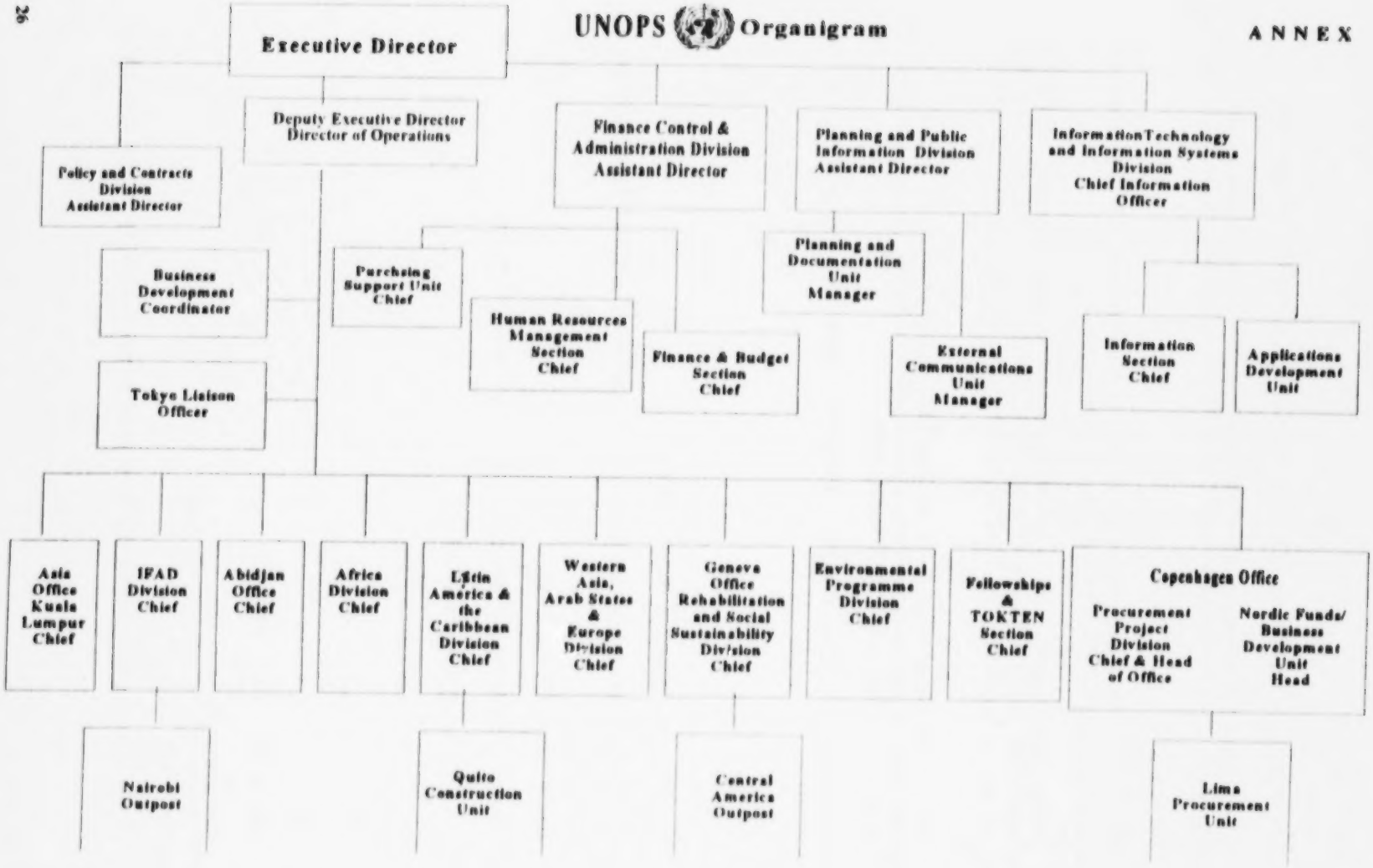
19. Ibid., para. 53.

20. Ibid., para. 53.

21. Statement of the Executive Director to the 1998 Annual Session of the Executive Board.

UNOPS Organigram

ANNEX



ANNEX

Table 1. UNOPS Project Procurement
Value of Contracts for Services & Works Signed
1994-1997

COUNTRY OF VENDOR	1994		1995		1996		1997	
	US$ 000	Per cent	US$ 000	Per cent	US$ 000	Per cent	US$ 000	Per cent
A. CONSULTING FIRMS AND CONTRACTORS	**59,468**	**100**	**63,678**	**100**	**37,432**	**100**	**72,867**	**100**
Developing countries	**47,446**	**79.8**	**48,633**	**76.4**	**25,999**	**69.5**	**37,085**	**50.9**
Donor Countries	**9,948**	**16.7**	**13,717**	**21.5**	**8,893**	**23.8**	**31,640**	**43.4**
Australia	2,484	4.2	1,718	2.7	3,022	8.1	405	0.6
Austria	0	0.0	0	0.0	43	0.1	131	0.2
Belgium	0	0.0	200	0.3	82	0.2	190	0.3
Canada	181	0.3	166	0.3	281	0.8	543	0.7
Finland	348	0.6	716	1.1	153	0.4	0	0.0
France	1,603	2.7	4,674	7.3	439	1.2	1,242	1.7
Germany	0	0.0	0	0.0	445	1.2	312	0.4
Italy	895	1.5	0	0.0	0	0.0	5,464	7.5
Japan	193	0.3	818	1.3	0	0.0	152	0.2
New Zealand	1,194	2.0	365	0.6	277	0.7	58	0.1
Spain	0	0.0	0	0.0	0	0.0	3,146	4.3
Switzerland	131	0.2	95	0.1	25	0.1	253	0.3
United Kingdom	1,224	2.1	637	1.0	1,339	3.6	2,694	3.7
United States	1,695	2.9	4,328	6.8	2,789	7.4	17,050	23.4
Underutilized Major Donor Countries:	**2,074**	**3.5**	**1,328**	**2.1**	**2,539**	**6.8**	**4,142**	**5.7**
Denmark	1,721	2.9	135	0.2	1,079	2.9	2,693	3.7
Netherlands	86	0.1	160	0.3	792	2.1	104	0.1
Norway	267	0.4	124	0.2	380	1.0	568	0.8
Sweden	0	0.0	909	1.4	289	0.8	777	1.1
B. NON-GOVERNMENTAL ORGANIZATIONS	**21,533**		**24,839**		**14,602**		**20,128**	
C. INTERNATIONAL INSTITUTIONS	**2,731**		**409**		**5,416**		**1,989**	
TOTAL	**83,732**		**88,926**		**57,449**		**94,984**	

N.B. Minor discrepancies may arise due to rounding

ANNEX

Table 2. UNOPS Project Procurement:
Goods and Equipment Ordered by Country of Vendor
1994 -1997

COUNTRY OF VENDOR	1994		1995		1996		1997	
	US$ 000	Per cent	US$ 000	Per cent	US$ 000	Per cent	US$ 000	Per cent
INTERNATIONAL PROCUREMENT	**127,028**	**100**	**116,577**	**100**	**140,478**	**100**	**154,609**	**100**
Developing Countries	**36,383**	**29.6**	**26,032**	**22.3**	**50,603**	**36.0**	**38,673**	**25.0**
Donor Countries	**76,962**	**60.6**	**78,299**	**67.2**	**77,010**	**54.8**	**102,912**	**66.6**
Australia	15	0.0	1,814	1.6	479	0.3	--	--
Belgium	1,808	1.4	363	0.3	1,146	0.9	2,684	1.7
Canada	2,603	2.0	4,741	4.1	3,209	2.3	1,507	1.0
Finland	43	0.0	162	0.1	66	0.0	--	--
France	11,970	9.4	10,913	9.4	8,171	5.8	16,137	10.4
Germany	1,162	0.9	5,732	4.9	5,366	3.8	7,199	4.7
Italy	945	0.7	5,664	4.9	7,300	5.2	8,271	5.3
Japan	12,196	9.6	6,366	5.5	9,569	6.8	10,862	7.0
Luxembourg	--	--	--	--	--	--	970	0.6
Spain	--	--	--	--	1,781	--	1,102	0.7
Switzerland	1,210	1.0	539	0.5	2,839	2.0	3,165	2.0
United Kingdom	5,735	4.5	4,630	4.0	9,784	7.0	22,724	14.7
United States	38,541	30.3	36,976	31.7	27,196	19.4	27,789	18.0
Other	734	0.6	399	0.3	104	0.1	502	0.3
Undertilized Major Donor Countries	**13,683**	**10.8**	**12,246**	**10.5**	**12,865**	**9.2**	**13,024**	**8.4**
Denmark	4,404	3.5	8,259	7.1	7,146	5.1	6,164	4.0
Netherlands	2,435	1.9	2,600	2.2	4,085	2.9	5,704	3.7
Norway	85	0.1	258	0.2	101	0.1	250	0.2
Sweden	6,759	5.3	1,129	1.0	1,533	1.1	906	0.6
LOCAL PROCUREMENT	**4,726**		**18,396**		**25,501**		**24,065**	
TOTAL	**131,754**		**134,973**		**165,979**		**178,674**	

ANNEX

Table 3. UNOPS Portfolio Acquisitions, 1994-1997

(US$ 000)

SOURCE OF FUNDS	1994		1995		1996		1997	
	No.	Value	No.	Value	No.	Value	No.	Value
UNDP Core Funds	**269**	**135,471**	**245**	**125,298**	**308**	**194,559**	**413**	**391,320**
UNDP ADMINISTERED FUNDS	**64**	**46,262**	**155**	**60,145**	**175**	**59,384**	**139**	**45,301**
Global Environment Facility - GEF	22	26,386	24	12,374	67	22,594	44	14,901
TF for the Implementation	39	19446	116	40,443	97	26,022	90	23,374
of Montreal Protocol	2	230	–	–	–	–	–	–
UNIFEM	0	0	2	580	5	1,904	1	158
UNSO	1	200	13	6,748	6	8,864	4	6,868
UNCDF								
UNDP TRUST FUNDS	**14**	**13,191**	**21**	**15,213**	**37**	**43,550**	**39**	**64,557**
Capacity 21	6	2,279	4	3,035	7	2,894	5	3,728
Demining - Cambodia	1	8,562	1	5,311	1	8,549	1	5,263
OHADA TF	0	0	0	0	0	0	1	19,747
Italy TF (Peace and Rehabilitation)	0	0	0	0	2	5,954	2	2,007
Norway TF/Africa	0	0	0	0	3	3,244	3	2,307
Carere/Sweden	0	0	2	4,085	2	2,029	3	9,226
Sweden TF	0	0	0	0	1	2,622	3	3,041
TF for Angola	0	0	0	0	0	0	2	8,601
TF for Haiti	0	0	0	0	0	0	3	4,400
Other	7	2,350	14	2,782	21	18,258	16	6,237
TOTAL UNDP	**347**	**194,924**	**421**	**200,656**	**520**	**297,493**	**591**	**501,178**
Percentage Change			**21.3%**	**2.9%**	**23.5%**	**48.3%**	**13.6%**	**68.5%**
MULTILATERAL GRANTS AND LOANS - TOTAL	**42**	**65,792**	**22**	**67,321**	**33**	**88,365**	**47**	**88,038**
UNIDCP	13	25,924	1	231	7	11,812	21	37,119
UNFPA	1	700	1	107	3	95	1	255
UN Organizations	0	0	2	222	9	1,332	13	11,993
IFAD (MSAs)	14	0	2	1,814	2	4,036	2	339
Development Banks (MSAs)	14	39,168	16	64,947	12	71,089	10	38,332
BILATERAL GRANTS (MSAs)	**19**	**53,279**	**26**	**131,137**	**26**	**148,158**	**30**	**115,767**
Donors (through UNDP)	8	7,392	10	16,301	8	6,208	8	11,262
Japan	8	40,865	10	104,539	7	82,068	9	70,579
Government	3	5,022	6	10,297	11	59,883	13	33,926
GRAND TOTAL	**408**	**313,995**	**469**	**399,114**	**579**	**534,016**	**668**	**704,983**
Percentage Change			**15.0%**	**27.1%**	**23.5%**	**33.8%**	**15.4%**	**32.0%**